



# The Automotive Sector in China

February 2001



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## **The Automotive Sector in China**

February 2001

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Le marché du secteur de l'automobile en Chine)*

Prepared by the  
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and the  
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## THE AUTOMOTIVE SECTOR IN CHINA



Team Canada Inc - Équipe Canada Inc

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### EXECUTIVE SUMMARY

China is considered to be the last major market for motor vehicles in the world. With a population of 1.3 billion and an estimated vehicle parc of only 16 million in 1999 (including passenger cars and commercial vehicles), the potential for further growth in the automotive industry is significant.

Despite the potential size of the automotive market, the Chinese automotive industry requires a major transformation in order to stimulate consumer demand for vehicles, while at the same time creating economies of scale within the industry and raising product quality. While the industry has seen major improvements during the 1990s due to increased foreign joint-venture operations, a major consolidation of the automotive industry is required. There are currently more than 125 operations capable of manufacturing complete vehicles in China, which together produced more than 100 vehicle models for a total of 1.8 million vehicles in 1999. The leading vehicle manufacturers consist of foreign joint-venture operations, such as Shanghai GM and First Automotive Works (FAW) Volkswagen. In the parts manufacturing sector, there are over 1700 registered automotive parts manufacturers and an additional 3000 smaller parts producers. Many vehicle and automotive parts manufacturers operate at a loss or break-even level and survive only by state subsidies.

Government protectionism has deterred many foreign companies from entering the Chinese automotive sector. However, with China's accession to the World Trade Organization (WTO), domestic vehicle and parts manufacturers will be severely challenged by the increasing level of foreign imports. Trade barriers will be reduced, tariffs lowered, import permits and quotas eliminated, and greater freedom allowed for foreign firms to operate motor vehicle sales, services, financing and leasing companies. However, opposition from large Chinese enterprises will likely make the transition process slower than promised. While trade liberalization will be a gradual process, Chinese vehicle and parts manufacturers will need the time to adjust to the growing level of competition. Merger and consolidation activity in the automotive industry is expected to increase during the WTO transition period. Although WTO accession will lead to a major shake-up in the automotive industry with plant closures and job losses, increased competition and foreign investment will, over time, help to strengthen the domestic industry and improve product offerings to Chinese consumers.

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## THE AUTOMOTIVE SECTOR IN CHINA



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### MARKET OVERVIEW

Given China's rapid economic growth over the past two decades and its population of 1.3 billion, the country holds significant export potential for Canadian companies. In 1998, China reported a 7.8% increase in its gross domestic product (GDP) and a 7% increase in 1999. These impressive figures were achieved in the midst of the Asian economic crisis and the Chinese government's ongoing reforms of the state-controlled economy. According to the Economist Intelligence Unit, GDP growth in China will range from 7% to 7.8% annually between 2000 and 2004.

**Table 1. China: Forecast of Key Economic Indicators (2000-2004)**

| (%)                              | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|------|------|------|------|------|
| Real GDP Growth                  | 7    | 7.1  | 7.3  | 7.5  | 7.8  |
| Average Consumer Price Inflation | 2.5  | 6    | 8.3  | 8.5  | 9    |

Source: Economist Intelligence Unit, 1999.

China's automotive industry has been an important component of the country's rapid economic growth. China has become one of the 10 leading automobile manufacturing countries in the world. In 1999, over 570 400 passenger cars and 1 264 000 commercial vehicles (Tables 2 and 3) were produced by more than 125 vehicle manufacturers. Passenger car production is expected to increase to 670 000, while commercial vehicle production will decrease slightly to 1 250 000 by 2002. Additionally, there were over 1700 registered automotive parts manufacturers and 3000 smaller parts producers in the country. The domestic automotive industry employed more than 1.98 million people in 1999 and generated total sales of \$60 billion,<sup>1</sup> a 16% increase over 1998. By the end of 1999, there were an estimated 16 million vehicles in China.

<sup>1</sup>All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. The conversion rate to Canadian dollars is based on IDD Information Services, *Tradeline*, 2000.

**Table 2. China: Passenger Car Production and Sales\*, 1995-2002**  
(thousands of units)

| Year       | 1995  | 1996  | 1997  | 1998  | 1999  | 2000 | 2001 | 2002 |
|------------|-------|-------|-------|-------|-------|------|------|------|
| Production | 321.1 | 377.2 | 474.2 | 507.9 | 570.4 | 600  | 620  | 670  |
| Sales      | 320.5 | 381.5 | 481.6 | 506.9 | 565.3 | 600  | 625  | 670  |
| Imports    | 139.7 | 63.6  | 32    | 16    | -     | -    | -    | -    |

\*Figures for 1995-1998 are actual numbers. Figures for 2000-2002 are estimates.  
Source: Economist Intelligence Unit, 1999.

**Table 3. China: Commercial Vehicle Production and Sales\*, 1995-2002**  
(thousands of units)

| Year       | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  |
|------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Production | 1 114 | 1 074 | 1 076 | 1 122 | 1 264 | 1 200 | 1 220 | 1 250 |
| Sales      | 1 102 | 1 061 | 1 089 | 1 096 | 1 262 | 1 200 | 1 180 | 1 200 |
| Imports    | 28.9  | 10.7  | 16.4  | 18.7  | -     | -     | -     | -     |

\*Figures for 1995-1998 are actual numbers. Figures for 2000-2002 are estimates.  
Source: Economist Intelligence Unit, 1999.

The Chinese automobile industry is highly fragmented and underdeveloped. Since well before the founding of the People's Republic of China in 1949, the Chinese Government has pursued a dream of establishing a true home-grown automobile industry. But war, revolution, politics, etc., all conspired to frustrate such plans. The first Chinese automotive manufacturing company, First Auto Works (FAW) was set up in 1956 with Soviet support. On July 3, 1956 the first Chinese-made automobile — a four ton 3NC 150 FAW truck was produced, followed by the Hongqi or Red Flag limousine. In 1983, the Beijing Jeep Corp was established, which was the first sino-foreign auto joint venture in China. Today the auto industry is mostly concentrated in the following regions: Shanghai-Nanjing, Changchun-Jinan, Beijing-Tianjin, Shenyang, Chongqing, Guangzhou and Wuhan.

The overriding policy governing the growth of the automotive industry has been the State Council's 1994 enactment of the Industrial Policies for the Automotive Industry. The policy called for a shift away from the production of commercial vehicles toward passenger cars, with an increasing emphasis on private-sector consumption. Although this policy applies to all domestic manufacturers, many local authorities often ignore the industrial policy. For example, many provinces want to develop a car industry in their territory, but the industrial policy has specified that only eight major car manufacturers will be allowed. Often local authorities will register their new car projects under another vehicle category, thus bypassing the central government's policy. The central government's role in dictating automotive policy was further weakened in 1998

when the former Ministry of Machine Building Industry (MMI) — the central administrator of China's automotive industry — was downgraded to the State Administration of Machine Industry Bureau (SAMIB),<sup>2</sup> which is subordinate to the State Economic and Trade Commission (SETC). The influence of SAMIB in governing the country's automotive industry has diminished, and has often been replaced by local government control and interference.

The 1994 policy has, however, been successful in shifting China's automotive production away from commercial vehicles toward passenger cars. In the early 1990s, over 71% of the overall vehicles produced were trucks, 21% were buses and the remaining 8% were cars. By the end of 1999, these figures had shifted to 41% for trucks, 28% for buses and 31% for cars. The market share of cars and other passenger-carrying vehicles such as buses will continue to grow as more consumers purchase vehicles and as the country's road infrastructure improves to provide easier passenger travel.

The 1994 policy has also helped bring about some industry consolidation. However, there are still too many vehicle and automotive parts manufacturers scattered across the country. Consolidation has been more successful among vehicle manufacturers as China's top 13 manufacturers now account for 92% of overall vehicle output. It should be noted that many of these top manufacturers consist of foreign joint ventures. During the 1990s China increased the level of co-operation with foreign vehicle and parts manufacturers in order to help develop the domestic industry. While the first foreign joint venture to produce complete vehicles was established in May 1993 when Beijing Jeep Co. was set up, other foreign companies such as Volkswagen, Peugeot, Citroen, General Motors (GM), Suzuki and Honda have all started joint ventures in China.

Some industry analysts have suggested that China's future automotive development strategy will not follow the path of the U.S. experience, which featured independent development and a move toward a monopoly structure through market competition, nor take the road of Japan, which was to utilize and absorb the techniques of other countries and then further develop them through exclusive self-investment. China will also not follow South Korea's model, in which the country relied on mergers and lopsided development to quickly form economies of scale. Instead, the Chinese automotive sector may likely use the Australian strategy, which focusses on developing automotive parts and components, and Brazil's experience, which relies heavily on foreign capital to develop its own automotive industry.

The next decade will see very dramatic change in China's automotive industry as the country adjusts to its entry into the World Trade Organization (WTO). With increased

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<sup>2</sup> For contact information regarding key organizations mentioned in this report, see **Key Contacts and Support Services**.

foreign competition and investment, the domestic automotive industry will undergo continued rationalization. The total number of vehicle and parts manufacturers will decrease significantly. Greater economies of scale will be established and the problem of overcapacity in production will diminish as vehicle manufacturers become more efficient and in tune with market demand. However, it will take several more years before the number of passenger cars in China reaches the level of motorcycle ownership. Given their affordability and ease of use in congested cities, there are an estimated 42.7 million motorcycles in China.

### **Passenger Cars**

In 1999, over 570 410 passenger cars were sold in China, representing an increase of 12.3% from 1998. The increase is largely the result of rising income, lower interest rates and easier car financing. Furthermore, a number of new passenger car models have helped stimulate consumer demand. While the purchase of vehicles is rising fastest amongst individual consumers, institutional demand for passenger cars also remains strong. Nevertheless, the auto industry has not grown as fast as predicted in China as many consumers have held off on purchasing new vehicles until China joins the WTO, which could lead to an influx of less expensive foreign cars.

Foreign model cars manufactured by foreign-domestic joint ventures in China are popular sellers within China's higher socio-economic class. New offerings from Shanghai GM (Buick) and Guangzhou Honda (Accord) led to about 30 000 additional car sales in 1999. Many foreign joint ventures have upgraded their production forecasts for 2000. Shanghai GM now plans to make 50 000 Buick Saloons in 2000 — 13 000 more than initially planned. To widen its product range, GM will begin mass production in December 2000 of the Chevrolet Blazer, a sports utility vehicle, and the Chevrolet S-10 pickup trucks in Shenyang, Liaoning Province. Forty-six percent of the S-10 components will be Chinese-made.

Ford has committed to set-up a US\$8 million joint venture operation in Chongqing with Chang'an Auto — a major car/truck producer (which also has a joint venture with Suzuki) to manufacture fuel efficient and affordable compact passenger cars. Dongfeng-Citroen plans to produce and sell 58 000 cars in 2000. Guangzhou Honda will increase production of the Accord to 30 000 units by 2001. FAW Volkswagen increased the output of the luxury Audi A6 to 15 000 from 13 000 cars at the end of 1999, and plans to produce more than 103 000 cars in 2000. Toyota will likely produce more than 100 000 cars annually of the Yari model as part of a joint venture with Tianjin Automotive Industrial. Furthermore, Korean companies Hyundai and Kia have plans to establish a factory in Jiangsu province, jointly with Jiangsu Yueda Group, to build passenger cars with an approximate annual capacity of 300 000 units.

**Table 4. China: Passenger Car Producers' Market Share, 1998-1999**

| Manufacturer           | Main Model       | 1998                    |                     | 1999                    |                     |
|------------------------|------------------|-------------------------|---------------------|-------------------------|---------------------|
|                        |                  | Number of<br>Units Sold | Market<br>Share (%) | Number of<br>Units Sold | Market<br>Share (%) |
| Shanghai Volkswagen    | VW Santana       | 235 020                 | 46                  | 230 836                 | 40                  |
| Tianjin Automotive     | Daihatsu Charade | 99 668                  | 20                  | 105 653                 | 19                  |
| FAW Volkswagen         | VW Jetta, Audi   | 66 037                  | 13                  | 83 279                  | 15                  |
| Changan Automotive     | Suzuki Alto      | 36 239                  | 7                   | 43 735                  | 8                   |
| Dongfang Citroen       | Citroen Fukang   | 33 364                  | 7                   | 43 850                  | 8                   |
| Shanghai GM            | GM Buick         | 0                       | 0                   | 19 826                  | 3                   |
| First Automobile Works | Hongqi           | 17 298                  | 3                   | 16 352                  | 3                   |
| Guangzhou Honda        | Honda Accord     | 0                       | 0                   | 10 003                  | 2                   |
| Others                 |                  | 20 336                  | 4                   | 16 876                  | 2                   |
| <b>Total</b>           |                  | <b>507 962</b>          | <b>100</b>          | <b>570 410</b>          | <b>100</b>          |

Source: State Bureau of Machine Building, 2000 .

Despite the success of the foreign models, the most popular selling car in China remains Shanghai Volkswagen's Santana model, with a 40% market share in 1999. The Santana model is widely used in China's large taxi fleet (particularly in Shanghai) and in corporate and government fleets. Santana's leading position in the Chinese market is increasingly being challenged by smaller cars that are less expensive. For example, the Xiali car with a 1000 cc engine made by Tianjin is enjoying a significant increase in sales (the Xiali also dominates the Beijing taxi market, although the more environmentally friendly Dongfeng Citroen Fukang is quickly replacing the Xiali as Beijing seeks to improve air quality). In the future, it is expected that manufacturers will produce a much wider variety of engine sizes in order to provide Chinese consumers with more affordable car models.

With China's accession to the WTO, more foreign cars will enter the Chinese market and provide a serious challenge to domestic manufacturers. While 9 of the top 13 passenger car manufacturers in China are currently foreign joint ventures, the manufacturing industry as a whole suffers from inefficient economies of scale and overcapacity in production. There are over 112 car producers in China, with some producing only a few dozen vehicles a year. The industry will need to undergo a period of consolidation and increased efficiencies to deal with growing competition from foreign manufacturers. While China's membership in the WTO may lead to company closures and job losses, it will have a beneficial impact on the industry in the long term. Moreover, Chinese consumers will be able to enjoy greater product variety at more affordable prices.

## Commercial Vehicles

The following table provides a breakdown of commercial vehicle sales in China for 1998 and 1999.

**Table 5. China: Commercial Vehicle Sales, 1998-1999**

| Type of Commercial Vehicle | 1998                 |                  | 1999                 |                  |
|----------------------------|----------------------|------------------|----------------------|------------------|
|                            | Number of Units Sold | Market Share (%) | Number of Units Sold | Market Share (%) |
| Heavy-duty Truck           | 36 676               | 3.3              | 47 785               | 3.8              |
| Medium-duty Truck          | 181 931              | 16.6             | 181 679              | 14.4             |
| Light Truck                | 292 788              | 26.7             | 384 558              | 30.5             |
| Mini Truck                 | 141 707              | 12.9             | 136 747              | 10.8             |
| Large Bus                  | 5 786                | 0.5              | 7 651                | 0.6              |
| Medium Bus                 | 22 422               | 2                | 29 077               | 2.3              |
| Light Bus                  | 181 129              | 16.6             | 181 511              | 14.4             |
| Mini Bus                   | 234 079              | 21.4             | 293 052              | 23.2             |
| <b>Total</b>               | <b>1 096 518</b>     | <b>100</b>       | <b>1 262 060</b>     | <b>100</b>       |

Source: State Bureau of Machine Building, 1999.

## Trucks

The demand for trucks and special-purpose vehicles is closely linked with the overall infrastructure development of the country. Given the rapid growth of the Chinese economy in recent years and government efforts to improve the infrastructure, the demand for trucks has been strong. In early 1998, the Chinese government invested \$36 billion in various infrastructure projects across the country, in particular flood-control projects. Furthermore, with the completion of nine multi-modal container transport arteries by 2000, an increased level of long-haul transport is expected to take place within China. This will help lead to the further development of containerized freight shipping and in turn will create greater demand for articulated tractor units and semi-trailers.

There are an estimated 3.9 million registered trucks in China in 2000 with over 6 tonnes capacity. This is a 27.8% increase over the 3 million truck parc in 1995. By 2005, this figure is expected to be 4.8 million. Truck manufacturers Dongfeng and FAW dominate the 6- to 15-tonne truck sector, accounting for about 98.7% of the 157 055 trucks sold in 1999. As for the 15-tonne plus sector, China National Heavy-duty Truck Corporation, Dongfeng and FAW are the three largest producers in China accounting for about 77.1% of the 39 622 trucks sold in 1999. Other major players in the 15-tonne and over

category include Hyundai, Isuzu, Iveco, Mercedes-Benz, Daimler-Chrysler, Mitsubishi, Nissan Diesel, China North Industries Corporation (NORINCO) and Sangyong.

In terms of lighter trucks with less than 5-tonne payload, many are based on old Soviet designs and use 6-cylinder petrol engines. The two largest manufacturers are FAW and Dongfeng. In recent years, there has been a move toward diesel engines and away from petrol engines as the main manufacturers have secured technology agreements with companies such as Cummins and Steyr to make diesel engines in China. Of the major original equipment manufacturers (OEMs), only Volvo has a joint-venture operation in China. Mercedes-Benz has a licensing agreement with NORINCO; Tatra of the Czech Republic is planning an assembly operation for China. However, one of the biggest obstacles to the sale of new trucks in China is the popularity of truck refitting. It is estimated that some 250 000 trucks receive a major refit (involving engines, transmission, body panels, axles and suspension) every year.

### **Buses**

In 1999, over 36 728 buses (medium-sized and large) were sold in China, representing an increase of over 30% since 1998. Large and medium-sized buses had the highest growth rate overall, but the mini bus sector was greatest in terms of production levels, with an increase of 58 973 units in the same period. There are approximately 800 bus assembly plants in China.

Another factor that has led to the increased demand for buses is the accelerated replacement of old buses in major cities. Annual demand for urban buses reached approximately 30 000 in 2000, showing that the trend towards larger and more comfortable buses has become more prominent. China will need a total of 3500 to 4000 high-end urban buses and 8000 additional tourist buses in 2000. Most of the demand will result from replacement of vehicles in the tourist service sector, which now has around 12 000 tourist buses in service. Travelling is becoming much more popular among the Chinese as the highway system improves and as many see their wealth increasing. It is estimated that China's highway length reached 1.3 million km at the end of 1999, with expressways accounting for over 10 000 km.

### **Vehicle Parts and Components**

China's automotive parts sector developed at a much slower rate than the country's car sector. Only in the 1990s did the government start paying serious attention to its underdeveloped automotive parts sector and designing policies and regulations shifting its car industry from depending on complete knockdown (CKD) imports to fostering its own automotive parts sector. Currently, there are an estimated 1700 companies involved in the manufacturing of a wide variety of vehicle parts and components in China. Over 60% of these companies are located in five provinces: Shanghai, Hubei, Tianjin, Zhejiang and Hebei. These companies employed more than 760 000 workers

and generated sales of over \$6.3 billion in 1999. In addition to the 1700 companies registered with SAMIB, there are over 3000 smaller automotive parts makers in the country that are not included in the state's official statistics and are primarily geared to the aftermarket.

The top 10 parts manufacturers by revenue are listed in the following table.

**Table 6. China: Top 10 Automotive Parts and Components Manufacturers, 1998**

| Manufacturer              | Total Sales<br>(\$ millions) | Total Profit<br>(\$ millions) | R&D Expenses/<br>Total Sales<br>(%) | Equipment<br>Investment/Total<br>Sales (%) |
|---------------------------|------------------------------|-------------------------------|-------------------------------------|--------------------------------------------|
| Tianjin Auto Xiali        | 1048                         | 138                           | 0                                   | .31                                        |
| Dongfeng Industry Company | 536                          | -12                           | 0                                   | .47                                        |
| Shanghai Huizhong Auto    | 482                          | 68                            | 1.52                                | 8.29                                       |
| Wanxiang Group            | 457                          | 47                            | .07                                 | 2.61                                       |
| Shanghai Automotive       | 335                          | 144                           | .41                                 | .34                                        |
| Shanghai Yanfeng Auto     | 206                          | 42                            | 1.38                                | 1.75                                       |
| Dongfeng Chaoyang Diesel  | 160                          | 7                             | .38                                 | 5.52                                       |
| Tianjin Huali Motor       | 138                          | 9                             | 0                                   | 0                                          |
| Dongfeng Auto Wheel Co.   | 129                          | 2                             | .21                                 | .88                                        |
| Shanghai GKN Drive Shaft  | 106                          | 36                            | 2.28                                | 4.52                                       |

Source: Economist Intelligence Unit, 1999.

Of the 1700 parts manufacturers registered, less than 100 had sales over Rmb 100 million (\$18 million), while more than half of them operated with annual sales under Rmb 10 million (\$1.8 million). Many of the remaining companies are operating at a loss and only continue to survive by state subsidies. While a rationalization of the automotive parts sector is needed in order to remove the weaker players, other problems facing the industry include an inefficient manufacturing and distribution system. For example, there are no domestic parts suppliers that can supply on a modular or system basis. As a result, car assemblers such as Shanghai-Volkswagen can have up to as many as 300 direct suppliers of separate components.

In addition to this, there is very little research and development funding for product innovation in the parts sector. In a 1998 survey of 700 major manufacturers, average R&D investment was less than 1% of sales and capital investment was approximately 5%. Given the limited R&D spending, one of the biggest challenges facing the automotive parts industry is the high level of counterfeit parts. It is estimated that up to 50% of the automotive parts and components sold in repair shops and retail outlets are

fake. There is a large demand for inexpensive automotive parts. This partly stems from the fact that over 70% of the total vehicles on the road are owned by institutions, which means that many institutional buyers are more concerned about price rather than quality. Parts buyers sometimes purchase counterfeit parts from suppliers who issue receipts for higher-priced OEM parts, allowing the purchaser to pocket the difference. These parts are often so poorly made that they can cause fatal accidents, particularly brake parts. In one case, state authorities conducted inspections on the quality of brake shoe linings among aftermarket parts suppliers and found only two companies out of 45 passed quality tests.

Foreign component manufacturers and vehicle assemblers find it difficult to compete in the parts market given the low price of domestically made parts, some of which are counterfeits of foreign brand products. The issue of counterfeits is a particular problem in the aftermarket. Foreign companies have attempted to develop this market by trying to convince Chinese motorists that authentic aftermarket components are technically superior and safer. The aftermarket holds significant potential for parts manufacturers given the frequent breakdown of domestically made vehicles. While a car engine in developed countries usually needs an overhaul every 10 years, major repairs in China are commonly required every two to three years due to product quality, the overall age of the existing car parc and poor road conditions

In terms of the OE parts market, China's major auto makers usually have suppliers that are either owned or partially owned by the auto maker or have a loose affiliation, which may consist of a supply contract. Many of the big foreign joint ventures are under pressure from both central and local governments to purchase OE products from companies related to the Chinese partner. While this type of "localization" relationship does not allow for economic efficiencies, it does ensure that local suppliers are kept in business and that employment levels are maintained.

According to the central government, each new foreign joint-venture project must achieve 40% local content during the first year. In the following years the joint-venture operation must increase its local content in order to obtain favourable rates of component import tariffs, while at the same time remaining on good terms with the various levels of government. The Santana model produced by Shanghai-Volkswagen, the market leader, has already achieved more than 90% local content. However, imports of OE parts remains an important component of the automotive industry. For example, the Guangzhou Honda joint venture will still have a 60% import level after localization in 2000. The Shanghai GM operation will see GM's North American operations sell over \$600 million in OE parts to Shanghai GM in 2000. GM's Buick Division will export OE parts such as transmissions, engines, electrical parts and body panels for the Century and Regal models.

## **Key Factors Shaping Market Growth**

### ***China's Accession to the World Trade Organization***

China has made a number of trade-related commitments to World Trade Organization (WTO) members that are expected to take effect when China accedes to the organization. These include tariff concessions as well as commitments to apply WTO rules relating to subsidies, standards, intellectual property, import licensing, trade-related investment measures and sanitary and phytosanitary measures. China will also be bound by fundamental WTO principles that will require the country to strengthen commercial legal procedures and improve transparency.

China's WTO commitments should help to reduce the risk of doing business in China and encourage increased trade and investment flows. However, most commitments will be phased in over time. In the case of lower tariff rates, most new bound rates will be phased in over five equal, annual increments from the date of accession.

China negotiated a number of tariff rate concessions in its bilateral WTO agreements with member countries. The most favourable concession for any item will apply to all member countries once China joins the WTO.

On November 26, 1999, Canada and China concluded a bilateral agreement on China's WTO accession providing for improved market access for a range of goods and services.

In terms of China's accession to the WTO and the impact on the country's automotive industry, it is likely that domestic vehicle and parts manufacturers will be severely challenged by the increasing level of foreign imports. The domestic automotive industry has long been protected by the Chinese government. However, with entry into the WTO, trade barriers will be reduced, tariffs lowered, import permits and quotas eliminated, and greater freedom allowed for foreign firms to operate motor vehicle sales, services, financing and leasing companies. Even though many foreign vehicle and parts manufacturers are eagerly awaiting China's entry into the WTO, opposition from large Chinese enterprises will likely make the transition process slower than promised, with continuous use of non-tariff barriers against imports. Moreover, each province or city will try to protect its own automotive industry by employing certain local regulations to ban or restrict the entry of competitive products.

While trade liberalization will be a gradual process, Chinese vehicle and parts manufacturers will need the time to adjust to the growing level of competition. Merger and consolidation activity in the automotive industry is expected to increase during the WTO transition period with many smaller firms shutting down. Although WTO accession will lead to a major shake-up in the automotive industry with plant closures and job

losses, increased competition and foreign investment will help strengthen the domestic industry and improve product offerings to Chinese consumers.

### ***Private Car Ownership***

China is considered to be the last big potential market for motor vehicles in the world. With a population of 1.3 billion and an estimated private vehicle parc of 930 000 in 1999 (including passenger cars and commercial vehicles), the potential for further growth in the automotive industry is significant. It is expected that private vehicle registrations will surpass 1 million by 2000. However, if China is to reach the global average of passenger vehicle ownership levels, it is estimated that 150 million vehicles will be required.

With growing incomes, easier financing and a trend toward purchasing high-value goods such as refrigerators, colour TVs, washing machines, air-conditioners and hi-fi stereos, more Chinese consumers are becoming interested in purchasing passenger cars. According to the State Information Centre, there were about 5.2 million households with an annual income of over Rmb 30,000 (\$5,400) in 1998. The Centre expects this number to increase to 7 million in 2000 and 42.6 million by 2005. The growing middle class will be the driving force in increasing the level of private vehicle ownership in China.

The number of privately owned vehicles in China has grown quickly since the government allowed consumers to buy private automobiles in the early 1980s. Between 1985 and 1996 the annual growth rate of privately owned vehicles averaged 26%, whereas non-privately owned motor vehicles experienced an average annual growth of only 10%. Although the process for purchasing a private car has become easier for Chinese consumers, owning a vehicle can be very expensive given the numerous taxes, such as the vehicle purchase surcharge of 10% on the final price of the vehicle and a consumption tax ranging from 3% to 8%. Moreover, there are over 20 other taxes, fees and charges to customers depending on the size and type of vehicle. In addition to this, there are annual inspection fees.

### ***Vehicle Financing***

Purchasing a car in China is beyond the financial means of the vast majority of the population. This is not only the result of the low per-capita income, but also the high sales prices of many cars. Currently, comparisons of similar models from China, India and the United States, show that prices in China can be twice as high as those in the other two countries. Given the high prices particularly for North American, European and Japanese models manufactured in China, the consumer segment of the market has started to focus increasingly on small cars, particularly those costing between \$9,000 and \$12,000.

Although smaller cars often entail lower sales prices, the development of a car financing system is needed in order to help consumers make vehicle purchases and to further develop the domestic automotive industry. While the first car loans were offered in June 1996, the system had been hampered by government red tape until 1999, when the requirements and procedures for credit approval were simplified. While many banks are still reluctant to offer personal loans for car purchases given the inadequate legal framework for repossession of collateral and for enforcement of repayments, the vehicle financing system is slowly improving. For example, a Beijing resident can now purchase a Fukang car (made by Dongfeng-Citroen) with a market price of Rmb 130,000 (\$23,335) by making a 30% down payment of Rmb 39,000 (\$7,000) plus the total vehicle registration costs of Rmb 25,000 (\$4,500) and then paying Rmb 2,800 (\$500) monthly for three years.

The vehicle financing system has attracted the interest of many foreign automobile manufacturers already active in China through joint-venture operations. Volkswagen Financial Services AG, a subsidiary of Volkswagen AG, has opened a representative office in Beijing. The office is providing financing and leasing services to promote sales for Volkswagen's joint ventures in Shanghai and Changchun. In June 1999, GM launched an agreement with two local commercial banks to finance the purchase of its new \$60,000 Buick car produced in Shanghai. With China's entry into the WTO, regulations pertaining to vehicle financing are expected to become less restrictive for those foreign vehicle manufacturers interested in the Chinese market.

### ***Regional Variations***

As China becomes more of a consumer-oriented society, important societal and geographical differences become more evident, which have an impact on the level of consumer spending. For example, the socio-economic divide between cities and rural areas in China has always been a factor in the country's history. At the end of 1999, the per-capita disposable income in large urban areas was 2.5 times higher than in rural areas, and three times higher in terms of average consumption levels. Differences between the various regions in China are also striking, particularly between the more prosperous eastern provinces and the poorer western and northern regions of China.

Regional differences also exist between cities, where there is often a large discrepancy in the percentage of residents owning automobiles. From 1997 to 1998, the China Automotive Market Survey and Study Association conducted a survey of motor vehicle ownership of Chinese families in large cities. Of the 71 cities studied, Shenzhen had the highest percentage of families owning motor vehicles at 4.6%. Kunming followed with a 3.4% share; Xining at 3%; Xi'an at 2.9 % and Beijing with 2.6%. The cities with the lowest percentage were Nanjing, Hangzhou and Guiyang at 0.4%. Shanghai's share was only 0.6%, despite the fact that it has the highest GDP level and has the largest car production base in China. In Shanghai, car ownership is hampered by the fact that individual purchases of motor vehicles require auctions for licence plates. Moreover,

given the congested nature of the city, high administration fees and limited parking, owning a car in Shanghai can be very expensive and frustrating.

## **OPPORTUNITIES**

Exporting vehicles and automotive parts to China is difficult given the highly protectionist nature of the government. High tariff rates and other non-tariff barriers provide China's domestic automotive industry with much-needed protection from better quality foreign vehicles and parts. This is particularly the case for vehicles such as passenger cars that have tariff rates of 80% to 100% applied on entry, making them prohibitively expensive for most Chinese. Despite this protectionist agenda, some foreign firms have developed unique entry strategies for the Chinese market. For example, complete knockdowns of foreign cars are shipped to China in parts and then assembled by domestic manufacturers in order to escape the higher tariff rates on complete vehicle imports. Smuggling of automobiles into China has also been a chronic problem, especially in South China. However, the most popular means of entry for foreign firms has been through joint ventures with local manufacturers.

In 1998, the then Ministry of Machinery Industry (MMI) developed a plan outlining key products and technologies to be developed in the next 10 years with the help of foreign joint ventures. These technologies include the following:

### *Technologies for Automotive Engines and Alternative Fuels*

- electronic engine management systems
- engine variable valve timing technology
- in-cylinder direct injection and ultra lean burn technology for gasoline engines
- electronically controlled fuel injection technology for diesel engines
- small-sized high-speed diesel engine technology
- automotive tail-gas three-way catalytic technology
- exhaust gas re-circulation technology for automotive engines
- electric vehicle technology
- CNG and LPG vehicle technology
- hybrid electric vehicle technology
- automotive fuel cell technology

### *Advanced Technologies for Automotive Electronic Parts and Components*

- automotive active safety-related technology such as anti-lock braking systems
- traction control systems
- automotive passive safety occupant protection technology including safety air bags
- electronically controlled automatic transmission technology

- electronically controlled automotive suspensions technology
- electronically controlled four-wheel drive technology
- power steering technology
- interior environmental control technology for motor vehicles
- intelligent transportation system technology including vehicle positioning and navigation
- on-board diagnostic technology

#### *Motor Vehicle Design and Testing Technology*

- computer-aided industrial design technology for car styling
- CAD technology for parts and components development
- motor vehicle crash-testing technology
- motor vehicle emission pollutant measurement and analysis technology
- automatic engine bench testing technology
- road simulation testing technology
- advanced manufacturing technologies
- automatic stamping technology for car body closure panels
- design and manufacturing technology for welding robots and welding production for motor vehicle production
- advanced coating technology
- laser welding technology
- precision forging and low temperature precision forming technology for auto parts and components
- advanced casting technology for auto parts and components
- rolling, strengthening, turning and broaching technologies for engine crank shafts
- car body 3-D geometry on-line inspection technology
- metal material including sheet metal for car bodies
- non-metal material including engineering ceramics for motor vehicles

In addition to the preceding MMI plan, the Automotive Standardization Research Institute, under the China Automotive Technology and Research Center (CATARC) (a Tianjin-based research arm of the Chinese automotive industry), was authorized by the Ministry of Machinery Industry to work out a blueprint for the auto components industry during the 9th Five-year Plan (1996-2000). The plan they developed identifies four categories as a priority for the development of the automotive components industry and 25 products in which the government encourages overseas investment and joint ventures. The four categories are engine parts, chassis and related parts, auto electrical appliances, and other components. Selected components for which demand is expected to outstrip supply in 2000 include:

### *Engine Parts*

- electronic fuel injection systems
- spark plugs
- valves
- piston and piston rings
- bearing bush
- turbo chargers
- diesel engine high-pressure pumps
- aluminum radiators
- filters

### *Chassis and Related Parts*

- diaphragm spring clutches
- constant-velocity universal joints
- vacuum servo boosters and master cylinders
- non-asbestos friction materials
- brake tubes and brake hoses
- steering gear and steering ball joints
- shock absorbers

### *Auto Electrical Appliances*

- generators and window regulators
- lighting systems and bulbs
- cluster gauges
- fastenings and bearings

### *Other Components*

- seat adjusters
- door latches
- windshield wipers
- rear vision mirror and glass regulators
- automatic braking systems (ABS)
- air bags

It is the intention of the Chinese government to further develop the domestic automotive industry to meet the needs of Chinese consumers and also to become a leading exporter of vehicles and automotive parts. The Chinese government is placing special emphasis on the development of its parts and components industry. Although the strict requirements for localization in joint-venture enterprises is steadily increasing and will continue to be mandated, reducing the opportunities for direct export to China of

complete sets of components, there is still room for export of parts and equipment for those components.

Despite the difficulty in exporting vehicles and automotive components to China, there will always be niche opportunities. For example, some of these niche markets include environmental control systems for vehicle emissions. According to an international agreement, by 2010 China is expected to hold its air pollution level to that of Western countries, and it has adopted a plan to limit car emissions to the 1990 level in Europe by the year 2000. The Beijing municipal government implemented new vehicle exhaust emission standards on January 1, 2000, which banned cars that failed to conform with the new emission standards. Only cars that are fitted with three-element catalytic devices and electronically-controlled fuel injection systems can be sold on the Beijing market. These new standards also took effect in Shanghai in July 1999.

In addition to catalytic devices and other emission-reducing devices, there are niche opportunities for alternative fuel vehicles. The Chinese Government has designated 12 cities as pilot bases for commercializing gas-powered vehicles. For example, the Beijing municipal government is currently modifying 1500 urban buses now in use to burn gas and also plans to purchase 1300 dual-fuel (Liquified Petroleum Gas - "LPG", and gasoline) buses in 2000. Of the 2800 gas-powered buses, 1700 units will use Compressed Natural Gas (CNG) and the remaining 1,100 units will use LPG. Engines for CNG buses are manufactured by Cummins. Furthermore, over 14 000 existing taxis will be refitted with LPG units. Many taxis are currently dual-fuel LPG/gasoline, but due to cost and inconsistent distribution networks, most taxi drivers still prefer to use gasoline. Specific opportunities for Canadian companies exist for engine conversion, gas compressors, CNG/LPG filling station equipment and storage tanks.

## **COMPETITIVE ENVIRONMENT**

### **Local Capabilities**

The Chinese government has taken great effort to build up the domestic capabilities of the vehicle and automotive parts manufacturing sectors. The bulk of this activity takes place in the major cities of the east; however, there are large industrial cities within China's interior such as Chongqing, Chengdu, Xi'an and Wuhan, where car, truck and bus production continues, largely without aid from foreign investment. Although the Chinese government's policy is to make it difficult for many foreign made vehicles and parts to enter the country, the government is eager to have foreign partners who are willing to transfer technology.

In the vehicle manufacturing sector, there are approximately 125 complete vehicle manufacturers in China, producing a full range of vehicles from passenger cars to heavy duty trucks (although their aggregate output is less than one of the North

American "Big Three" automakers). There are also approximately 600 vehicle assembly or overhaul plants and 800 bus assembly plants in China. The largest vehicle (cars and trucks) producer in China is the FAW Group, which manufactured over 341 544 commercial vehicles and passenger cars in 1999, accounting for 18.5% of total vehicle output. The top car manufacturer in China is Shanghai-Volkswagen, a joint venture between Shanghai Automotive Industrial Corp. and Volkswagen of Germany. The Shanghai-Volkswagen joint venture produced over 236 411 vehicles in 1999. Other major vehicle producers in China include the Dongfeng Motor Corporation, Tianjin Automotive Industry Group, Beijing Automotive Industry Group, Nanjing Yuejin Group and China Heavy-duty Truck Group. Combined, the output of these top seven vehicle makers accounted for about 62% of total vehicle production in 1999.

*First Automotive Works Group (FAW)* – The FAW Group is the largest vehicle producer in China, with a 1999 output of 341 600 vehicles. The FAW Group manufactures mini and light buses and trucks, medium and heavy trucks, cars and other series products. The Jiefang series of buses and trucks hold a large share of the market. The FAW Group's joint-venture operations with Volkswagen produces Jetta and Audi sedans. The goal of the FAW Group is to have a production capacity of 1 million vehicles with a total sales revenue reaching US\$10 billion.

*Shanghai Automotive Industry Corporation (SAIC)* – SAIC is the second-largest vehicle producer in China and the leading manufacturer of passenger cars. The company has been successfully selling the Santana line of passenger cars with 1999 sales exceeding 230 700. The Santana line accounted for over 40.4% of the total passenger car market in 1999. In addition to the Santana series, SAIC has also teamed up with GM to produce the Buick Century sedan, which first appeared on the market in 1998.

With total annual production in 1999 of 256 700, SAIC will continue to focus on passenger cars, but is also starting to invest more heavily in the production of buses, light commercial vehicles and heavy-duty trucks.

*Dongfeng Motor Corporation (DMC)* – DMC is one of the leading manufacturers of medium to heavy trucks in China. In 1999, the company produced over 256 700 vehicles, focussing on heavy-duty, medium-sized and light-duty trucks. While the company is the leading producer of heavy-duty and light-duty trucks in China, its reign as the largest medium-duty truck maker in China has been challenged by FAW due to product quality problems. The company has also been active in passenger car production, teaming-up with Citroen of France to produce Fukang sedans. The company hopes to increase its passenger car capacity to a level of 300 000 units within a period of five years.

*Tianjin Automotive Industry Corporation (TAIC)* – TAIC manufactured over 128 800 vehicles in 1999, mainly consisting of passenger cars, mini buses and trucks and light buses and trucks. While the company has been successful in gaining market share in

the domestic taxi cab industry, it is also making inroads in the private market with the Xiali line of passenger cars. The Xiali cars have proven popular with Chinese consumers, given the car's low price of about \$10,750 for a basic model with a 1000 cc engine. This is about half the price of the Santana basic model (1800 cc engine). The newer Xiali cars also have very low emission levels in compliance with stricter emission regulations in some major urban centres. In addition to the success of the Xiali, TAIC also partnered with Toyota in 1999 to set up plans to produce new sedans (possibly Corollas) for the Chinese market. The company also produces the Daihatsu Charade under a licencing agreement with Daihatsu.

*Beijing Automotive Industry Group (BAIG)* – In 1999, BAIG manufactured more than 120 000 vehicles. The company has recently set up an agreement with France's Renault to jointly manufacture the Megane Scenic, part of the small MPV series. The local content of the vehicle will account for over 50% when volume production is achieved, and BAIG is now contacting local components suppliers, including several 1.3 litre engine makers. The vehicle is likely to be priced at around \$18,000 in the local market.

*Yuejin Auto Group (YAG)* – YAG mainly produces Iveco series light vehicles, South Asia series small vehicles, Yuejin light trucks and agricultural vehicles. Total production in 1999 reached over 70 000 units. In co-operation with Italy's Fiat, YAG started production in June 1999 of the NJ6400 small passenger vehicle and NJ1020 pick-up truck. Both models use technologies introduced by Fiat and NJG415 1.4 litre gasoline engines made by Yuejin. The first phase of the joint venture has an annual capacity of 60 000 vehicles.

*China Heavy-duty Truck Group (CHDTG)* - As the largest heavy-duty truck production group, CHDTG mainly produces Steyr 91 series complete trucks, bus chassis and engines as well as transmissions, axles and other products. In 1999, total output reached 9921 trucks, with the goal of reaching 25 000 units in the next few years.

Another notable vehicle manufacturer is Chang'an Automobile Group (CAG). CAG produces a range of mini vehicles and auto engines. The company also has a joint venture operation with Suzuki for motorcycles and small taxis as well as a recently announced joint venture with Ford, which will produce compact cars. Chang'an is one of five national car makers with annual production capacity for its mini autos of over 150 000 units, while its engine production is around 360 000 units annually.

In terms of China's automotive components, parts and accessories industry there are over 4700 companies involved. While these companies vary widely in size, product quality also varies considerably. Again the Chinese government is looking to foreign investment as a means of improving technology and quality, and to develop design capability. One way the government has tried to help domestic parts and component manufacturers is through localization initiatives whereby domestic producers are

required to include a minimum amount of local materials in their final products. Foreign joint-venture vehicle assemblers must begin with 40% local content; achieve 60% by the second year, and then 80% during the following year. Despite the intentions of the government, product quality generally drops with localization and the foreign partner of a Sino-foreign joint venture may find start-up costs high.

### International Competition

Much of the foreign presence in China's automotive industry has been in the form of joint-venture operations between foreign firms and local Chinese companies. The Chinese government encourages these types of foreign initiatives since they involve much needed foreign investment and the possibility of technology transfer.

The largest exporter of passenger cars and vehicles (HS Code 8703) to China continues to be Japan, which exported a total of \$451 million in 1999. Germany trailed in second place with over \$83 million in vehicle exports. While Japan and Germany are the two biggest exporters, East European countries such as Hungary and the Czech Republic have seen their exports to China rise dramatically in 1999 due to the export of less expensive cars, which are in high demand among Chinese consumers.

**Table 7. Leading Exporters of Passenger Cars and Vehicles to China, 1997-1999 (HS Code 8703)**

| Country            | 1997<br>(\$ millions) | Market<br>Share<br>(%) | 1998<br>(\$ millions) | Market<br>Share<br>(%) | 1999<br>(\$ millions) | Market<br>Share<br>(%) |
|--------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
| Japan              | 255                   | 57                     | 512                   | 80.1                   | 451                   | 66.6                   |
| Germany            | 17                    | 3.8                    | 41                    | 6.5                    | 83                    | 12.2                   |
| Hungary            | 0                     | 0                      | 0                     | 0                      | 63                    | 9.3                    |
| Czech Republic     | 0                     | 0                      | 0                     | 0                      | 18                    | 2.7                    |
| United States      | 11                    | 2.5                    | 31                    | 4.9                    | 17                    | 2.5                    |
| Sweden             | 14                    | 3.2                    | 20                    | 3.2                    | 14                    | 2.1                    |
| South Korea        | 21                    | 4.7                    | 10                    | 1.6                    | 9                     | 1.3                    |
| Thailand           | 0                     | 0                      | 0                     | 0                      | 9                     | 1.3                    |
| France             | 119                   | 26.6                   | 16                    | 2.5                    | 8                     | 1.1                    |
| Other              | 11                    | 2.2                    | 4                     | 1.2                    | 6                     | 0.9                    |
| <b>Total World</b> | <b>446</b>            | <b>100</b>             | <b>634</b>            | <b>100</b>             | <b>678</b>            | <b>100</b>             |

Source: *World Trade Atlas*, 2000.

**Table 8. China: Import of Vehicle Types, 1999**

| Vehicle Type                      | Import<br>Volume | Change<br>over 1998<br>(%) | Value<br>(\$ millions) | Change<br>over 1998<br>(%) |
|-----------------------------------|------------------|----------------------------|------------------------|----------------------------|
| Passenger Cars                    | 19 952           | 10.6                       | 480.9                  | 19.9                       |
| Cross Country Jeeps               | 4 825            | -23.6                      | 149.1                  | -9.8                       |
| Station Wagon (less than 9 seats) | 1 911            | -32.4                      | 43.5                   | -28.9                      |
| Trucks                            | 2 682            | -38.7                      | 105.8                  | -19                        |
| Dump Trucks                       | 70               | -76.1                      | 23.1                   | -21.9                      |
| Special-Purpose Vehicles          | 1 680            | -28.3                      | 274.3                  | -4.5                       |
| Buses (30+ seats)                 | 492              | -48.9                      | 32.1                   | -44.5                      |
| Buses (10-29 seats)               | 2 257            | -36.6                      | 59.2                   | -29.5                      |
| Chassis with Engines              | 531              | 88                         | 30.3                   | 66.8                       |
| Parts                             |                  |                            | 1 238.1                | 34                         |
| Total Vehicles and Chassis        | 34 906           | -12.1                      | 1 202.6                | -2                         |

Source: *Asia Pulse*, 2000.

Germany and Japan also play leading roles in the export of automotive parts and components (HS Code 8708) to China. Germany exported over \$654 million worth of automotive parts to China in 1999, representing a market share of 52%. Japan followed with a market share of around 19%. Canada emerged in 1999 as the fourth leading exporter of automotive parts to China, with over \$86 million in exports.

Many well-known multinational producers have established joint ventures for automotive parts in China, including Robert Bosch, Delphi, ITT, Eaton, ASIMCO, SKF, ZF, Siemens and Cummins. According to the State Statistics Bureau, there are 453 foreign funded automotive components manufacturers in China. Entry of these foreign components companies has brought new technology, capital and advanced management, which has greatly accelerated the development of China's automotive parts sector.

**Table 9. Leading Exporters of Automotive Parts/Components to China, 1997-1999 (HS Code 8708)**

| Country            | 1997<br>(\$ Million) | Market<br>Share<br>(%) | 1998<br>(\$ Million) | Market<br>Share<br>(%) | 1999<br>(\$ Million) | Market<br>Share<br>(%) |
|--------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
| Germany            | 679                  | 67.8                   | 736                  | 67.9                   | 654                  | 52.3                   |
| Japan              | 70                   | 7                      | 63                   | 5.8                    | 233                  | 18.8                   |
| United States      | 106                  | 10.1                   | 37                   | 3.4                    | 138                  | 11.1                   |
| <b>Canada</b>      | <b>0</b>             | <b>0</b>               | <b>0</b>             | <b>0</b>               | <b>86</b>            | <b>7</b>               |
| France             | 80                   | 8                      | 204                  | 18.9                   | 67                   | 5.4                    |
| United Kingdom     | 6                    | 0.6                    | 18                   | 1.7                    | 16                   | 1.3                    |
| South Korea        | 3                    | 0.4                    | 3                    | 0.3                    | 10                   | 0.8                    |
| Italy              | 3                    | 0.3                    | 7                    | 0.6                    | 10                   | 0.8                    |
| Netherlands        | 0                    | 0                      | 0                    | 0                      | 5                    | 0.4                    |
| Thailand           | 2                    | 0.2                    | 1                    | 0.1                    | 5                    | 0.4                    |
| Other              | 51                   | 5.6                    | 15                   | 1.3                    | 14                   | 1.7                    |
| <b>Total World</b> | <b>1001</b>          | <b>100</b>             | <b>1084</b>          | <b>100</b>             | <b>1238</b>          | <b>100</b>             |

Source: *World Trade Atlas*, 2000.

### Canadian Position

According to Statistics Canada figures, Canada exported over \$118.7 million worth of vehicles and automotive parts to China in 1999. This represents a sizable increase from the \$1.8 million exported in 1998. The primary reason for this increase stems from GM Canada's export of complete knockdowns of the Buick model destined for GM Shanghai. Canada has now emerged as the fourth leading parts supplier to China.

While GM Canada has emerged as an important parts supplier, other Canadian companies such as Magna International have set up joint venture manufacturing facilities in China. Joint venture entry strategies are encouraged by the Chinese government as a means of increasing foreign investment and technology transfers. This is a recommended strategy for those Canadian firms that are committed to the long term. Although access to the Chinese market of Canadian vehicles and parts will improve with China's WTO accession, Canadian companies will be faced with intense competition from both domestic and international firms.

In May 2000, the Automotive Parts Manufacturers Association (APMA) of Canada signed an MOU with the Chinese Association of Automobile Manufacturers (CAAM) to cooperate in the automotive parts sector. It is hoped that this MOU will lay the

groundwork for increased cooperation between the two organizations, and ultimately increased investment and exports by Canadian auto parts manufacturers to China.

The following table provides a breakdown of Canadian exports to China between 1997 and 1999. While automotive parts comprised over 93% of vehicle and parts exports to China in 1999, Canada also exported over \$7.1 million in motor trucks (off-highway dumpsters) and special-purpose vehicles (fire trucks and snow removal vehicles).

**Table 10. Canadian Vehicle and Automobile Parts Exports to China 1997-1999**

| HS Code - Product                        | 1997<br>(\$)     | 1998<br>(\$)     | 1999<br>(\$)       |
|------------------------------------------|------------------|------------------|--------------------|
| <b>87 - Total Vehicles (Not Railway)</b> | <b>4,574,000</b> | <b>3,056,000</b> | <b>118,782,000</b> |
| <b>8708 - Parts and Accessories</b>      | <b>781,000</b>   | <b>1,800,000</b> | <b>110,510,000</b> |
| 8708.99 - Other 8708                     | 477,000          | 284,000          | 86,271,000         |
| 8708.29 - Vehicle Body Parts             | 119,000          | 1,359,000        | 22,979,000         |
| 8708.39 - Brakes                         | 10,000           | 75,000           | 659,000            |
| 8708.10 - Bumpers                        | 0                | 3,000            | 268,000            |
| 8708.92 - Muffler/Exhaust Systems        | 0                | 0                | 129,000            |
| 8708.31 - Brake Linings                  | 65,000           | 48,000           | 56,000             |
| 8708.94 - Steering Wheel Related         | 0                | 2,000            | 48,000             |
| 8708.93 - Clutches                       | 0                | 23,000           | 48,000             |
| 8708.70 - Road Wheels                    | 8,000            | 0                | 21,000             |
| 8708.91 - Radiators                      | 2,000            | 4,000            | 15,000             |
| 8708.21 - Seat Safety Belts              | 0                | 0                | 13,000             |
| <b>8704 - Motor Trucks</b>               | <b>407,000</b>   | <b>137,000</b>   | <b>5,813,000</b>   |
| 8704.10 - Off Highway Dumpsters          | 0                | 0                | 5,747,000          |
| <b>8705 - Special-purpose Vehicles</b>   | <b>2,151,000</b> | <b>433,000</b>   | <b>1,295,000</b>   |

Source: Statistics Canada, 2000.

## Competitive Advantage through Canadian Government Policies and Initiatives

### *Export Development Corporation*

Export Development Corporation (EDC) is Canada's official export credit agency offering export financing and insurance to Canadian exporters. Since 1986, EDC has

been helping Canadian exporters large and small do over \$5 billion worth of business in China. Financing is traditionally offered case by case through lines of credit established through approved Chinese banks. Export financing may also be considered via direct buyer loans to qualifying, creditworthy companies having Chinese government authority to borrow funds abroad. EDC export and investment insurance programs provide exporters with protection against a variety of risk, commercial and political. Performance security and contract bonding programs help exporters free up their working capital lines while dealing with bonding requirements during the execution of commercial contracts.

### ***Canadian Commercial Corporation***

The Canadian Commercial Corporation (CCC) gives Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. The CCC will also act as a prime contractor on behalf of Canadian small and medium-sized enterprises, giving those businesses increased credibility and competitive advantage.

### ***Program for Export Market Development***

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible costs and activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from \$5,000 to a maximum of \$50,000. Preference is given to companies with fewer than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between \$250,000 and \$10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information visit <http://www.infoexport.gc.ca/pemd-e.asp> or call 1-888-811-1119.

### ***WIN Exports***

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match

Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit <http://www.infoexport.gc.ca/winexports/menu-e.asp> or call 1-888-811-1119.

## **PRIVATE-SECTOR CUSTOMERS**

Private consumption will be the main driver of further development in China's automotive sector, for commercial as well as passenger vehicles. The leading private sector customers for vehicles include newly privatized companies, taxi companies and individual consumers.

Private companies are major purchasers of passenger cars for their vehicle fleets and of commercial vehicles for various other purposes.

Taxi fleets have grown significantly in recent years reaching an estimated 700 000 units in 1999. The total taxi fleet is expected to grow at an annual rate of about 10% to reach an estimated 800 000 units by 2000. The fleet is comprised of mini vans, small buses and passenger cars with the Santana sedan being the most popular model used. In 1999, about 32% of total passenger car demand was generated by taxi companies. Given the strong demand by the taxi industry and the fact that the average service life a taxi is about five years, some domestic vehicle manufacturers are redesigning some of their vehicle models to better cater to the demands of the taxi industry.

As mentioned previously, private sales to consumers is becoming a very important component of vehicle demand in China. Although the cost of an entry-level passenger vehicle can equal five times the average Chinese household income, the demand will remain strong for the foreseeable future.

The market for automotive parts (OE) lies mostly with the Chinese vehicle producers. Many of these large scale producers want their suppliers to be located in their immediate area. In terms of aftermarket parts, the main customers include various wholesale/retail distribution outlets across China.

## **PUBLIC-SECTOR CUSTOMERS**

### **Government Organizations**

Although government departments and institutions make up the bulk of China's institutional fleet and account for 35% of total passenger car demand, the supply of vehicles and parts to the government is dominated by domestic suppliers. The Chinese government mandated that all government organizations at the central, provincial and

municipal levels were to purchase domestically made cars after 1989. While this has helped the local automotive industry, it has severely limited foreign vehicle imports.

### **Government Procurement**

For those limited government procurement opportunities that exist in the automotive sector, the procurement process can be very complex and frustrating for foreign companies. Despite its commitment under the 1992 Market Access agreement to publish any laws or regulations affecting imports and exports, China has not yet published any laws related to procurement practices. Preferential treatment of domestic suppliers' goods and services or offsets demanded from bidders in the form of local content requirements, technology transfers and investment requirements are common practices.

The procurement process is usually conducted through state-owned/controlled companies that may be affiliated with a particular ministry. Given the decentralized nature of the procurement process, each ministry may have its own specific procurement guidelines. While tenders for projects funded by international organizations are usually openly announced, most government procurement is by invitation only. Furthermore, the actual project bidding is not done through a competitive bidding process, but through direct negotiation. Demonstration of a positive and firm commitment to China and a respect for Chinese norms, laws and regulations improve chances of success. Further information on the government procurement process can be obtained by contacting the Canadian Embassy in Beijing or the Canadian Consulates in Guangzhou, Chongqing and Shanghai.

### **International Financial Institutions**

China is the largest borrower from both the World Bank and the Asian Development Bank (AsDB), representing significant commercial opportunities for Canadian firms. As a result of Canada's status as a shareholder in both institutions, Canadian companies are eligible to supply goods and technical assistance related to loan-funded projects. In 1999, China borrowed \$3.1 billion from the World Bank and \$1.9 billion from the AsDB.

World Bank lending to China has been primarily in three sectors: agriculture (29%), transportation (24%) and energy (19%). AsDB funds have been allocated mainly to the following sectors: transport and communications (46.1%) and energy (19.2%). There are also a number of projects focussed on water supply and sanitation. Special emphasis has been placed on projects that support economic reform, develop public infrastructure, address environmental degradation, improve natural resource management, support human resource development and alleviate poverty.

Companies may supply technical assistance services directly to the banks in support of project design and feasibility work; however, loan-funded projects themselves are

generally managed by Chinese executing agencies. The procurement of loan-funded goods and services by these agencies is subject to lending institution rules governing fairness and transparency, and companies can appeal if they feel that the procurement process is not being properly followed. In both cases, because of the substantial costs in time and travel, it is recommended that Canadian companies active in the automotive sector evaluate and, where appropriate, pursue opportunities as an element of their business plan for the region.

For links to the World Bank and AsDB Web sites, and for copies of related business guides, companies are encouraged to consult IFInet on the Department of Foreign Affairs and International Trade's Web site at <http://www.dfait-maeci.gc.ca/ifinet>.

## **MARKET LOGISTICS**

### **Channels of Distribution**

Canadian companies have a number of alternatives in getting their vehicles and parts into the Chinese market. While some exporters may enlist the services of an agent to handle their product, others may choose to set up a representative office or form a joint venture with a Chinese company. In any case, it is important that Canadian exporters actively promote their product to potential customers in China, through trade fairs and advertisements in specialized trade publications or business magazines. Trade fairs offer Canadian companies the opportunity to participate as an exhibitor and to meet with prospective buyers. Whichever avenue is chosen, adapting products or services to meet Chinese preferences will increase the chances for success. Furthermore, a local partner with a good understanding of the market and important personal contacts in both the private sector and government are also very useful. Given the fact that establishing personal relationships is an important element of doing business in China, the ability "to open doors" is very beneficial.

### **Direct Sales**

Companies with low to medium sales targets are perhaps best served by simply exporting or establishing a representative office in China. A representative office gives a company increased control over a dedicated sales force and permits greater utilization of its specialized technical expertise. It is often the most direct way to enter the local market and indicates a firm's serious interest in doing business in China. The main functions of a representative office include sales and marketing, the provision of assistance in after-sales service, promotional activities and the provision of market intelligence to the parent company. Representative offices are the easiest type of offices for foreign firms to set up in China, but these offices are limited by Chinese law to performing "liaison" activities. As such, they cannot sign sales contracts or directly bill

customers or supply parts and after-sales services for a fee, although most representative offices perform these activities in the name of their parent companies.

### ***Agents***

By employing the services of a Chinese agent, the Canadian company immediately gets an established presence in the market while avoiding the cost of setting-up a representative office. Currently, China is experiencing tremendous growth in the number of local sales agents available. Many are from Hong Kong or international trading companies, or Chinese firms with national or regional networks. Several agents may be required given the country's size and the scope of the activity involved. Considerable time and effort should be spent by Canadian exporters searching for an appropriate sales agent who has an excellent understanding of the automotive industry and is well-established and connected.

### ***Joint Ventures***

Canadian firms with larger sales targets may have no other option but to set up a joint venture with a Chinese partner. Joint ventures between local Chinese companies and foreign firms are an important component of the automotive industry. In addition to side-stepping some import regulations, foreign joint venture operations may also be eligible for tax and infrastructure incentives. Chinese partners can also be of value in identifying and gaining new customers. The Chinese government prefers joint venture arrangements since it leads to the development of China's domestic automotive industry through technology transfer. Foreign companies usually provide the capital, technology and a large degree of the consultation services.

It is often beneficial to have Canadian government backing when looking for potential clients for joint ventures or sales contracts. Home government support adds credibility to the Canadian company, which is an important consideration among Chinese enterprises.

### ***Wholesale/Retail Distribution of Vehicles and Automotive Parts***

The wholesale/retail distribution of vehicles and automotive parts (aftermarket and OE) in China is slowly becoming more advanced. Although the distribution system is still heavily regulated by the Chinese government, increased foreign participation is emerging. This is particularly the case for the retail distribution of vehicles. In the past, foreign car manufacturers had depended on their local joint-venture partner and other government entities to distribute vehicles in China. Under the old system, foreign car companies had little contact with customers and minimal knowledge of market demand. More recently, however, companies such as FAW Volkswagen and Shanghai Volkswagen have been allowed to set up dealerships and showrooms in select major cities. Shanghai GM and Guangzhou Honda have also been granted full distribution

rights. GM has created franchised dealerships across the country and hopes to have 68 dealers in 62 cities by the end of 2000. Honda hopes to have 100 dealers by the end of 2000.

In terms of automotive parts, vehicle producers often have their OE suppliers in close proximity to provide for relatively quick deliveries. As for the distribution of aftermarket parts, the retail system is extremely fragmented. For example, in Shanghai alone there are more than 20 000 parts retailers. Many Chinese cities have local street clusters where hundreds of spare part retailers are located. These small retail distributors are engaged in both retailing and wholesaling. However, one of the problems with this distribution channel is that many fake products are purchased at low prices and then sold to the end-user at a much higher price.

In addition to the small retail outlets, consumers can purchase their aftermarket products through China's system of small-scale repair shops. However, co-operating with China's back street garages can be difficult as many local workshops are too small, lack technical expertise and in some cases have little regard for the quality of service and components supplied. The Chinese government has tried to regulate sub-standard repair workshops by introducing a licensing system. The Ministry of Transportation will require 220 000 auto repair enterprises employing more than 2 million workers to register with the Ministry. The Ministry will conduct inspections of businesses over a two-year period and require mechanics to take special examinations before issuing licences and quality warranty cards.

A more reliable distribution source for aftermarket components is the China Auto Components Sales Corporation (CACSC), which is the largest retail distributor in the country with 30 branches located across the country. The CACSC was one of several firms to partner with U.S.-based aftermarket retailer NAPA, which entered the Chinese market in 1999 by setting up an automotive parts supermarket chain. NAPA has introduced its operational patterns and systems into its China business, which has been seen as the start of major evolution in China's aftermarket distribution for automotive parts. NAPA plans to build up a large network of distribution centres, chain stores and maintenance centres across the country within two or three years. In addition to NAPA opening stores, other Chinese companies are also setting up aftermarket parts outlets. For example, Da Tang has built two supermarkets for car parts in Shanghai. Da Tang is the agent and distributor for more than 30 components manufacturers.

Some multinational OEMs are adopting the strategy of building up their own distribution networks for the aftermarket in China. Major OEM suppliers such as Bosch and Delphi are designating an increasing share of their output to the aftermarket. Delphi sold about 20% of its output in China to the aftermarket in 1998. Bosch plans to set up more than 500 aftermarket dealers, primarily through repair shops, by the end of 2000.

Car manufacturers such as Shanghai Volkswagen, Dongfeng-Citroen and Shanghai GM are also setting up distribution systems for the aftermarket. GM Warehousing and Trading (Shanghai) Co. Ltd. is a wholly owned parts distribution centre, located in Shanghai's Waigaoqiao Free Trade Zone. It was created to ensure quick delivery time of genuine GM parts to customers in mainland China and features a fully computerized stock management and inventory control system. These automotive manufacturers are also investing in after-sales service networks to take advantage of the high margins involved in selling their own aftermarket parts and by servicing same-brand vehicles.

## **Market-entry Considerations**

### ***Suggested Business Practices***

China holds excellent market potential for Canadian exporters, but the challenges of entering the market are also significant. China's highly complex business environment, along with its culture and ways of conducting business, can be daunting to new export-ready companies — and even to the most seasoned export-ready firms. Canadian exporters are most likely to succeed in the Chinese market if they are price and quality competitive, prepared for lengthy negotiations, committed for the long-term, and if they have a range of international business development experience.

Canadian firms need to implement a strategic, long-term business plan for China, to ensure that business goals are realistic, and that they keep pace with China's changing economy. Careful selection of location and "due diligence" of partners, attention to staffing issues and cultivation of political ties are keys to success. Firms entering the Chinese market should familiarize themselves with the Chinese bureaucracy. China is a heavily regulated market, where bureaucratic tensions in the Chinese government are central to explaining policy and procurement decisions. Realizing the impediments caused by the Chinese bureaucracy is an important step in remaining a player in this extremely competitive and dynamic market.

### ***Import Regulations***

Imported vehicles and automotive parts are subject to customs duties that vary according to the type of product. For most vehicles the tariff rate varies between 80% and 100%, while vehicle parts have average tariff rates ranging from 14% to 50% (Table 11). In addition to tariffs, a 17% value-added tax is also imposed. According to Chinese Customs regulations, the dutiable value of an imported good is its cost, insurance and freight (CIF). In practice, Chinese Customs valuation remains non-transparent and arbitrary. Involvement in a joint venture or other partnership can allow a firm to sidestep some import regulations. The most comprehensive guide to Chinese Customs regulations is *The Practical Handbook on Import and Export Tax of the Customs of the PRC*, compiled by the General Customs Administration. This guide contains the tariff schedule and national customs rules and regulations.

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Tariffs and other non-tariff barriers will be gradually reduced with China's accession to the WTO.

**Table 11. China: Import Duties for Various Automotive Components, 1999**

| HS Code   | Component                                       | Import Duty (%) |
|-----------|-------------------------------------------------|-----------------|
| 8708.1    | Bumper and related components                   | 35              |
| 8708.21   | Seat safety belts                               | 35              |
| 8708.291  | Seat adjusters                                  | 50              |
| 8708.292  | Safety air bags                                 | 50              |
| 8708.31   | Brake shoes with linings                        | 35              |
| 8708.801  | Shock absorbers                                 | 40              |
| 8708.91   | Radiators                                       | 35              |
| 8708.92   | Silencers and exhaust pipes                     | 35              |
| 8708.709  | Wheels and related auxiliaries                  | 40              |
| 8708.939  | Clutches and related parts                      | 40              |
| 8708.949  | Steering wheels, steering levers, steering gear | 50              |
| 8708.409  | Gearboxes                                       | 50              |
| 8708.509  | Drive axles with differential                   | 40              |
| 8407.341  | Engines (1000-3000 cc)                          | 45              |
| 8407.342  | Engines (over 3000 cc)                          | 25              |
| 4011.1    | Tires                                           | 30              |
| 8507.1    | Lead-acid batteries                             | 25              |
| 8511.1    | Spark plugs                                     | 14              |
| 8511.4099 | Starters                                        | 15              |
| 8511.1309 | Ignition coils and distributors                 | 14              |
| 8512.4    | Windshield wipers, defrosters, defoggers        | 15              |
| 8527.21   | Audio equipment                                 | 30              |

Source: Chinese Customs, 1999.

### **Intellectual Property Rights**

While the protection of intellectual property rights in China is improving, it is still insufficient. Patent application by foreign non-residents must be made to the Patent Agency of the China Council for the Promotion of International Affairs, the Shanghai Patent Office, or the Hong Kong-based China Patent Agent (HK) Ltd. Applications and proceedings are published in the *Patent Gazette* 18 months after filing. Trademarks are

valid for 10 years from the approval date and can be renewed upon application. Foreigners must apply to the State Administration of Industry and Commerce for a trademark.

### ***Local Standards, Certificates or Registrations***

In most cases, documentation requirements for imported products are handled by the Chinese importer (agent, distributor or joint-venture partner). Necessary documents include the bill of landing, invoice, shipping list, sales contract, an import quota certificate for general commodities (where applicable), import license (where applicable), inspection certificate issued by the State Administration for Import and Export Commodity Inspection (SAIECI), insurance policy and customs declaration form.

It is suggested that exporters contact SAIECI in order to find out the specific standards (i.e. vehicle emission levels) and safety requirements for vehicles and automotive parts. The quality and safety certification process appears to require extensive investigation and may be time-consuming. Exporters may also want to contact the local Chinese Embassy or Consulates across Canada, or the Canadian Embassy in Beijing and Consulates in Guangzhou, Chongqing and Shanghai for further information.

### ***Export Credit Risks, Restrictions on Letters of Credit or Currency Controls***

All deals involving foreign exchange payments must be approved by the State Administration of Exchange Control (SAEC). The most common forms of financing imports in China are through letters of credit and the documents against payment plan. The letter of credit is similar to those issued around the world. Although the Bank of China dominates China's trade-finance business, other major Chinese banks have the authority to issue letters of credit. As for the documents against payment, it is similar to a letter of credit, but less formal and more flexible. Just as with letters of credit, the exporter submits a full set of trade documents for payment collection to the bank designated in the contract. The Chinese bank will send the documents to the home office, where they are examined and, in some cases, passes them to the buyer for further examination. Payment is made after the documents have met the approval of all parties. This method of payment provides rather thin coverage against default. It can be considerably less expensive than a letter of credit, but should be used with caution.

## PROMOTIONAL EVENTS

| Event/Description                                                                                                                                                                                                                                                                                                                    | Organizer                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The 8th International Automobile and Auto Parts Expo (Auto Tianjin 2000)</b><br>2000 (Annual)<br>Tianjin International Exhibition Centre<br>Tianjin, China<br>Various vehicles and auto parts.                                                                                                                                    | <b>China Auto Industry Sales Corp.</b><br>32 Youyi Rd., Hexi District<br>Tianjin 300061 China<br>Tel.: (022) 2835-8256<br>Fax: (022) 2835-9854<br>Contact: Ma Lanping                                                                                                                                 |
| <b>China International Auto Maintenance Technology and Equipment Show (Auto Maintech 2000)</b><br>March 19-22, 2000 (Biennial)<br>China International Exhibition Centre<br>Beijing, China<br>Auto maintenance equipment, special repair tools, spray lacquer, enamel paint, car body maintenance equipment and diagnostic equipment. | <b>CIEC Exhibition Co. (HK) Ltd.</b><br>25 Harbor Rd., Wanzai<br>Hong Kong, China<br>Tel.: (008-52) 2827-5078<br>Fax: (008-52) 2827-5535<br>Contact: Xia Jun                                                                                                                                          |
| <b>The 2nd Changchun Auto Accessories, Product and Technology Exhibition</b><br>April 1-4, 2000 (Annual)<br>Changchun International Exhibition Centre<br>Changchun, China<br>Car, bus, auto accessories, servicing and maintenance.                                                                                                  | <b>Changchun Peoples Government<br/>China First Automobile Group Co.</b><br>89 Puji St., Luyin District, Changchun<br>Jilin 130011 China<br>Tel.: (04-31) 761-0396<br>Fax: (04-31) 761-0265<br>Contact: Ms. Tong                                                                                      |
| <b>Nanjing International Auto and Parts Exhibition 2000 (Nanjing 2000)</b><br>May 2000 (Biennial)<br>Jiangsu Exhibition Centre<br>Nanjing, China<br>Motorcycles, maintenance equipment of various special-purpose vehicles and accessories.                                                                                          | <b>China Automobile Import/Export Co.</b><br>29 Beijing Rd., Nanjing<br>Jiangsu 210008 China<br>Tel.: (025) 335-8414<br>Fax: (025) 771-3048<br>Contact: Hu Lili                                                                                                                                       |
| <b>2000 Beijing International Automotive Industry Exhibition (Auto China 2000)</b><br>June 6-12, 2000 (Biennial)<br>China International Exhibition Centre<br>Beijing, China<br>Various sedans, commercial vehicles, motorcycles, special-use vehicles and auto parts.                                                                | <b>Adsale Exhibition Services Ltd.</b><br>4/F Stanhop House, 734 King's Rd.<br>North Point, Hong Kong, China<br>Tel.: (008-52) 2811-8897<br>Fax: (008-52) 2516-5024<br>Contact: Zhu Yulun<br>E-Mail: power@adsaleexh.com<br>Internet: <a href="http://www.adsaleexh.com">http://www.adsaleexh.com</a> |

| Event/Description                                                                                                                                                                                                                                                                                                                                                                                          | Organizer                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Shenyang 2nd International Automation, Parts, Maintenance and Testing Equipment and Supplies Exhibition</b><br>July 16-19, 2000 (Annual)<br>Liaoning Industry Exhibition Hall<br>Shenyang, China<br>Various automobiles and spare parts, auto testing apparatus, auto maintenance equipment, lift equipment, car washing machinery, auto decoration, air-conditioning, hi-fi and car security products. | <b>CCPIT Shenyang Sub-Council</b><br>284 Qiannian St., Heping District<br>Shenyang 110003 China<br>Tel.: (024) 2389-5302<br>Fax: (024) 2392-2432<br>Contact: Song Ko                                                                                                                                 |
| <b>Dalian Auto and Parts Exhibition</b><br>August 2000 (Annual)<br>Dalian Xinghai Exhibition Centre<br>Dalian, China<br>Various cars and parts, auto maintenance equipment and tools.                                                                                                                                                                                                                      | <b>CCPIT Dalian Sub-Council</b><br>Room 1103 Wanda Building, 18 Hongda Rd.<br>Zhongshan District<br>Dalian 116001 China<br>Tel.: (04-11) 282-2356<br>Fax: (04-11) 281-5739<br>Contact: Wang Yuansheng                                                                                                |
| <b>Chengdu International Exhibition on Automobiles and Motorcycles, Spare Parts and Maintenance Equipment</b><br>September 11, 2000 (Biennial)<br>Chengdu International Conference Exhibition Centre<br>Chengdu, China<br>Automobiles, cars, motorcycles, accessories, maintenance equipment and technology.                                                                                               | <b>CCPIT Sichuan Sub-Council</b><br>Room 401-405 Economy and Trade Building<br>4 Chenghua St.<br>Chengdu, Sichuan 610081 China<br>Tel.: (028) 333-6693<br>Fax: (028) 339-2822<br>Contact: Zhang Jiping<br>E-mail: ccpitsce@mail.sc.cninfo.net                                                        |
| <b>The 5th China Commercial and Special-purpose Vehicles and Spare Parts Exhibition</b><br>September 19-22, 2000<br>Shanghai Exhibition Centre<br>Shanghai, China<br>Special-purpose vehicles and parts.                                                                                                                                                                                                   | <b>Coastal International Exhibition Co.</b><br>Tel.: (852) 2827-6766<br>Fax: (852) 2827-5224<br>Contact: Brenda Yau                                                                                                                                                                                  |
| <b>Shanghai International Automotive Parts and Accessories and Service Station Equipment Exhibition (Auto Parts and Equipment Shanghai 2000)</b><br>November 28 - December 1, 2000 (Biennial)<br>Shanghai International Exhibition Centre<br>Shanghai, China<br>Various automotive parts.                                                                                                                  | <b>Adsale Exhibition Services Ltd.</b><br>4/F Stanhop House, 734 King's Rd.<br>North Point, Hong Kong, China<br>Tel.: (008-52) 2811-8897<br>Fax: (008-52) 2516-5024<br>Contact: Zhu Yulun<br>E-mail: auto@adsaleexh.com<br>Internet: <a href="http://www.adsaleexh.com">http://www.adsaleexh.com</a> |

| Event/Description                                                                                                                                                                                                                                                                                | Organizer                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Auto South China</b><br>December 12-16, 2000<br>China Foreign Trade Centre<br>Guangzhou, China<br>Various motor vehicles, automotive accessories,<br>garage workshop and workstation equipment,<br>auto supplies, car care products, manufacturing<br>equipment and environmental protection. | <b>Messe Frankfurt (HK) Ltd.</b><br>Tel.: (852) 2238-9940<br>Fax: (852) 2511-3466<br>Contact: Kate Newman                                                                                                      |
| <b>The 5th Guangzhou International Automobile<br/>Exhibition</b><br>December 2000 (Biennial)<br>China Foreign Trade Centre<br>Guangzhou, China<br>Various automobiles and parts.                                                                                                                 | <b>Zhongqi Foreign Trade and Economic<br/>Technology Co-operation Co.</b><br>15/F Jiali Building, Yayuncun<br>Beijing 100101 China<br>Tel.: (010) 6493-8412<br>Fax: (010) 6496-8699<br>Contact: Song Changying |

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##### **Consulate (Chongqing)**

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##### **Consulate General (Guangzhou)**

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##### **Consulate General (Shanghai)**

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## Associations

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Beijing 100020 China  
Tel.: (86-10) 6599-4328  
Fax: (86-10) 6599-4306

**State Intellectual Property Office (SIPO)**  
6 Xitucheng Rd. Jimenqiao  
Haidian District  
Beijing 100088 China  
Tel.: (86-10) 6209-3268  
Fax: (86-10) 6201-9615

**China State Office of Machinery and Electronics Products Import and Export**  
26 Xuanwumen Xidajie  
Beijing 100053 China  
Tel.: (86-10) 6319-3496  
Fax: (86-10) 6319-3657

**China National Automotive Industry Consulting and Developing Corp.**  
No. 2 Building  
26 Yuetan Nanjie, Xicheng District  
Beijing 100825 China  
Tel.: (86-10) 6859-5760  
Fax: (86-10) 6859-5976  
E-mail: [cac@cacauto.com](mailto:cac@cacauto.com)

## Major Chinese Manufacturers of Automobiles

### **Baoji Baoshi Special Vehicle Co.**

2 Dong Feng Rd.  
Baoji, Shanxi 721002 China  
Tel.: (86-917) 324-2847  
Fax: (86-917) 324-2909  
Contact: Dong Wenru  
E-mail: bjbstcgs@public.xa.sn.cn  
Oil field vehicles

### **Baoji Fire-fighting Equipment General Plant**

22 Baoping Rd.  
Baoji, Shaanxi 721001 China  
Tel.: (86-917) 355-5577  
Fax: (86-917) 355-5244  
Contact: Zou Zonghua  
E-mail: xf740916@public.xa.sn.cn

### **Beijing Automotive Industry Corporation**

31 Nanwei Rd., Tianqiao  
Beijing 100050 China  
Tel.: (86-10) 6304-0246  
Fax: (86-10) 6304-3509  
Light cross-country vehicles, light trucks,  
three-wheel motorcycles, small- and medium-  
sized tourist buses

### **Chang'an Automobile Liability Co.**

260 Jianxin Donglu, Jiangbei District  
Chongqing 400023 China  
Tel.: (86-23) 6759-1282  
Fax: (86-23) 6785-2882  
Contact: Ma Xiaojuan  
E-mail: chanahwb@cta.cq.cn  
Mini sedans, mini trucks and mini vans

### **Changhe Aircraft Industries Group**

Jindezheng, Jiangxi 561104 China  
Tel.: (86-798) 844-2019  
Fax: (86-798) 844-1460  
Contact: Yang Jin Huai  
E-mail: chiehgs@public1.jdptt.jx.cn  
Internet: <http://www.changhe.com>  
Mini buses and mini vans

### **Changzhou Changjiang Bus Group Co.**

138 Changxin Rd.  
Jiangsu 213002 China  
Tel.: (86-519) 675-0860  
Fax: (86-519) 675-2177  
E-mail: kcchzb@public.cz.js.cn

### **China First (Changchun) Automobile Group Corporation (FAW)**

(Joint venture with Volkswagen and Audi)  
Dongfeng Dajie  
Changchun, Jilin 130011 China  
Tel.: (86-431) 554-909  
Fax: (86-431) 867-780  
Jiefang series medium trucks, light trucks,  
minibuses, Audi 100s, Jettas, Hong Qi super car

### **China North Industries Vehicle Works**

P.O. Box 968, Zhujiafen, Fengtai District  
Beijing 100072 China  
Tel.: (86-10) 6381-8231  
Luxury tourist coaches and airport shuttle buses

### **China Heavy-Duty Truck Import Export Co.**

8 Feng Xian Rd.  
Qingdao, Shandong 266071 China  
Tel.: (86-532) 581-4620  
Fax: (86-532) 581-4250  
Contact: Ye Jianzhou  
E-mail: company@chinaheavytruck.com  
Various special-purpose trucks (cargo, transport,  
fire fighting, military, etc.)

### **China National Heavy-duty Vehicles Corporation**

36E Wuyishan Rd., Jinan  
Shandong 250031 China  
Tel./Fax: (86-531) 595-1350  
Heavy-duty trucks, special trucks, diesel engines,  
transmissions, axles and components

**Dandong Automobile Works Import/Export Corp.**

544 Huanghai Dajie  
Dandong, Liaoning, China  
Tel.: (86-415) 622-3867  
Fax: (86-415) 622-4270  
Contact: Yao Yong Chen  
Buses

**Dongguan Vehicles Manufacturing Co.**

An Bu Tang Hou Industrial Zone  
Dongguan, Guangdong 523406 China  
Tel.: (86-769) 330-7688  
Fax: (86-769) 330-7873  
Contact: Liu Benjie  
Cement trucks and fire trucks

**FAW Shandong Special Automobile Works**

135 Beiguan Rd.  
Penglai, Shandong 365600 China  
Tel.: (86-535) 564-3072  
Fax: (86-535) 564-1724  
Contact: Wang Tiehua  
E-mail: yqsqg@public.ytpptt.sd.cn  
Dump trucks and container trucks

**Guangzhou Guangke Auto Enterprise**

Shangyuangang, Shahe  
Guangzhou, Guangdong 510650 China  
Tel.: (86-20) 8770-2242  
Fax: (86-20) 8770-5593  
Contact: Guo Xiaodong  
E-mail: gkzgc@public.guangzhou.gd.cn  
Buses

**Guangzhou Honda Automobile Co.**

Hengsha, Huangpu District  
Guangzhou, Guangdong 510700 China  
Tel.: (86-20) 8227-7789  
Fax: (86-20) 8227-0620  
Contact: Kang Lan  
Passenger cars

**Harbin Hafei Motor Co.**

1 Yantai Rd., Pingfang District  
Harbin 150060 China  
Tel.: (86-451) 650-3122  
Fax: (86-451) 650-5749  
Contact: Yuan Tingxian  
E-mail: hfardi@ems.draeon.net.cn  
Mini vans and mini trucks

**Jiangsu Mudan Automobile Group Co.**

Zhangjiagang, Jiangsu 215621 China  
Tel.: (86-520) 866-0322  
Fax: (86-520) 866-0321  
Contact: Xu Hao  
E-mail: md@public.cz.js.cn  
Buses

**Jinbei GM Automotive Co. Ltd.**

(Joint Venture with Jinbei Automotive)  
6 Fangnanlu, Dongling District  
Shenyang, 110015, China  
Tel.: (86-24) 482-3002  
Fax: (86-24) 482-0020  
SY1041 series light trucks, GMC series pick-up trucks and utility jeeps

**Jinhua North Fulai Vehicle Co.**

961 South Baji Rd.  
Jinhua, Zhejiang 321017 China  
Tel./Fax: (86-579) 246-6846  
Contact: Pan Qingning  
Buses

**Liaoning Huanghai Automobile (Group) Co.**

544 Huanghai St.  
Dandong, Liaoning 118008 China  
Tel.: (86-415) 622-3867  
Fax: (86-415) 622-4270  
Contact: Yao Yongchen  
E-mail: ddawcorp@ec.com.cn  
Buses

**Liuzhou Wuling Automobile Co.**

18 Hexi Rd.  
Liuzhou, Guangxi 545007 China  
Tel.: (86-772) 371-8850  
Fax: (86-772) 371-7536  
Contact: Wu Lian  
E-mail: [info@wuling.com.cn](mailto:info@wuling.com.cn)  
Mini vans and pick-up trucks

**Qinhuangdao XinYi Engineers Co.**

113 Beihuan Rd., Haigang District  
Qinhuangdao, Hebei 066001 China  
Tel.: (86-335) 301-0047  
Fax: (86-335) 310-4442  
Contact: Yang Xiaodong  
E-mail: [atl@public.qhptt.he.cn](mailto:atl@public.qhptt.he.cn)  
Rear loaders and hoist trucks

**Shaanxi Hanjiang Automobile Co.**

P.O. Box 35, Ext. 544  
Chenggu County, Shanxi 723215 China  
Tel.: (86-916) 220-7673  
Fax: (86-916) 220-7672  
Contact: Guo Huiling  
E-mail: [sac@public.hanzhong.sn.cn](mailto:sac@public.hanzhong.sn.cn)  
Mini vans

**Shanghai Automotive Industry Corporation**

390 Wukang Rd.  
Shanghai 200031 China  
Tel.: (86-21) 433-6892  
Fax: (86-21) 433-0518  
Volkswagen cars, motorcycles, heavy-duty trucks, tractors, buses, special vehicles, refitted vehicles and various spare parts

**Shanghai Volkswagen Automotive Company**

Luopu Rd., Anting  
Shanghai 201805 China  
Tel.: (86-21) 5956-1888  
Fax: (86-21) 5957-2815  
Internet:  
<http://www.chinacars.com/csvw/encsvw/first.htm>  
Passenger cars (Santana and 2000 Gsi)

**Shenyang Jinbei**

14 Shanzuizi Rd., Dadong District  
Shenyang 110044 China  
Tel.: (86-24) 820-1363  
Fax: (86-24) 820-1313  
Mini buses and light buses

**Tianjin Automotive Industry Corporation**

78 Yantaidao, Heping District  
Tianjin 300000 China  
Tel.: (86-22) 331-0858  
Xiali passenger cars, Sanfeng brand wagons, Huali brand mini-vans and Yanpai brand light-duty trucks

**Wuhan Fortune Motor Co.**

141 Jiang Yi Dao  
Wuhan, Wuhan Economic and Technological Development Zone  
Hubei 430056 China  
Tel.: (86-27) 8489-2533  
Fax: (86-27) 8489-2506  
Contact: Yan Jinshan  
Mini buses

**Xiamen King Long United Automotive Industry Co.**

Sales Subsidiary 6/F, D BLK, Hongye Building  
Hubin Bei Rd.  
Xiamen 361012 China  
Tel.: (86-592) 511-5477  
Fax: (86-592) 511-5726  
E-mail: [kinglong@public.xm.fj.cn](mailto:kinglong@public.xm.fj.cn)  
Contact: Rebecca Wen  
Internet: <http://www.king-long.com>  
Buses

**Yangzhou Yaxing Motor Coach Co.**

186-188 Middle Yangzijiang Rd.  
Yangzhou, Jiangsu 225000 China  
Tel./Fax: (86-514) 708-1020  
Contact: John Wan  
E-mail: [yz.yxxs@public.yz.js.cn](mailto:yz.yxxs@public.yz.js.cn)  
Buses

## Major Chinese Automotive Parts/Components Manufacturers

### **Air International (Shanghai) Co.**

108 Chunguang Rd., Xinzhuang Industrial Zone  
Shanghai 201108 China  
Tel.: (86-21) 6489-2590  
Fax: (86-21) 6489-5926  
Contact: Joseph Sun  
E-mail: swai@uninet.com.cn  
Air-conditioning systems

### **Anhui Industrial and Trading Corporation**

68 Shanxiang Rd., Bengbu  
Anhui 233010 China  
Tel.: (86-552) 492-2993  
Fax: (86-552) 492-1003  
Contact: Zhou Yu  
E-mail: aiticie@mail.ahbbptt.net.cn  
Brake shoes and brake linings

### **Aviation Industry of China**

China Aviation Industry Corporation I (AVICI)  
67 Jiaonan Street  
Beijing 100712 China  
Tel.: (86-10) 6409-3416  
Fax: (86-10) 6401-1632  
Various automobiles and auto parts

### **Beijing Warner Gear Co. Ltd. (Joint Venture)**

2 Dingfuzhuang Xili, Chaoyang  
Beijing 100024 China  
Tel.: (86-10) 6576-5461  
Fax: (86-10) 6576-3925  
Transmission cases

### **Beijing Norstar Automotive Industries**

10 North Hongda Rd., Economy and Technology  
Developing Zone  
Beijing 100176 China  
Tel.: (86-10) 678-85026  
Fax: (86-10) 678-85029  
Contact: Li Tie  
E-mail: norstar@bj163.com  
Brake parts

### **Beijing Radiator**

5 Nan Wei Rd., Xuan Wu District  
Beijing 100050 China  
Tel.: (86-10) 6303-5826  
Fax: (86-10) 6501-9178  
E-mail: business@bamiec.com.cn  
Contact: Liu Deyuan

### **Beijing Gear Works**

2 Daluyuan Chaoyang District  
Beijing 100022 China  
Tel.: (86-10) 6779-1607  
Fax: (86-10) 6771-4149  
Contact: Zhao Baoyu  
Gears and transmissions for light trucks and  
jeeps

### **Boshan Electric Machine Group Co.**

42 Renminlu Boshan District  
Zibo, Shandong 255200 China  
Tel.: (86-533) 418-3078  
Fax: (86-533) 418-0434  
Contact: Li Jishuan  
E-mail: bsem@zb-public.sd.cninfo.net  
Internet: <http://www.boshanem.com.cn>  
Starters and alternators

### **Beijing United Automobile-Motorcycle Manufacturer Corporation**

Jia 12, Xing Zhong Jie, Dong Cheng District  
Beijing 100027 China  
Tel./Fax: (86-10) 6416-1896  
Contact: Guo Guangji  
Carburetors

### **Changchun Filter**

123 An Da St.  
Changchun, Jilin 130061 China  
Tel.: (86-0431) 852-8303  
Fax: (86-0431) 858-1317  
Contact: Wang Bai Fu  
Air and fuel filters

**Chengdu Rongxin Industrial Co.**

Tonglin Industrial Zone, Dayi,  
Chengdu, Sichuan 611337 China  
Tel.: (86-28) 822-3779  
Fax: (86-28) 822-0412  
Contact: Wang Xin  
E-mail: liyungao@mail.sc.cninfo.net  
Internet: <http://www.rongxin.com>  
Cylinder blocks

**China National Automotive Industry  
Corporation (CNAIC)**

16 Fuxingmenwai St.  
Beijing 100860 China  
Tel.: (86-10) 6326-3870  
Fax: (86-10) 6326-3602  
Formerly functioned as a semi-governmental  
policy organization. Although its major policy  
functions were taken over by the Ministry of  
Machinery Industry, CNAIC is still an important  
business conglomerate consisting of 25 major  
production facilities, business entities and  
institutions.

**Chongqing Yihong Engineering Plastic-  
Products Co.**

Keyuan 4th Rd., Chongqing High Tech  
Development Zone  
Chongqing 400041 China  
Tel.: (86-23) 6863-0218  
Fax: (86-23) 6863-5104  
Contact: Zhu Fangqiang

**Chongqing Huafu Industry Co.**

104 Tianxingqiao St., Shapingba District  
Chongqing 400038 China  
Tel.: (86-23) 6531-1125  
Fax: (86-23) 6531-9459  
Contact: Li Qing'an  
E-mail: hfcxh@public.cta.cq.cn  
Internet: <http://www.huafu.com>  
Gear shifters and engine parts

**Cummins Corporation**

China World Tower #917  
Beijing 100004 China  
Tel.: (86-10) 6505-4209  
Fax: (86-10) 6505-4211  
Diesel engines

**Dana Corporation**

Shi Yan Lou Hou Ce  
Zong Shan Men Hedong District  
Tianjin 300180 China  
Tel./Fax: (86-22) 439-4388  
Various automotive components

**Delphi Automotive Systems**

Room 701, Lido Commercial Center  
Jiachanglu, Jiangtailu  
Beijing 100004 China  
Tel.: (86-10) 6436-7501  
Fax: (86-10) 6436-7497  
Various automotive components

**Dong Feng Piston and Bearing Co.**

Shiyan, Hubei 442064 China  
Tel.: (86-719) 823-5502  
Fax: (86-719) 823-4837  
Contact: Zhao Ye Ping  
E-mail: sydfpbc@sy.hb.cninfo.net

**Fawer Automotive Parts Company**

45 Chuangye St., Luyuan District  
Changchun, Jilin 130011 China  
Tel.: (86-431) 598-7188  
Fax: (86-431) 598-7000  
E-mail: jlmotor@public.cta.cq.cn  
Contact: Hou Gang

**Fujian Guanlean Co.**

Fuyu Rd., Rongqiao Industrial Zone  
Fuqing, Fujian, China  
Tel.: (86-591) 538-0692  
Fax: (86-591) 538-0690  
Contact: Siyon Chen  
E-mail: guanlean@pub2.fz.fj.cn  
Brake shoes, brake lining and brake pads

**Fujian Fuding Huada Automobile Electric Appliances Plant**

1 Wangcuo Alley, Chengguan  
Fuqing, Fujian 355200 China  
Tel.: (86-593) 835-6141  
Fax: (86-593) 781-8325  
E-mail: yz.yxzs@public.yz.js.cn  
Contact: Chen Qing  
Horns

**Gao Yao Modern Metal Industry Co.**

60 Xin Cheng Rd., Nan An  
Gao Yao, Guangdong 526100 China  
Tel.: (86-758) 839-1956  
Fax: (86-758) 839-2249  
Contact: Zou Jianjia  
E-mail: gyht@pub.zhaoqing.gd.cn  
Aluminum alloy die castings

**Guangxi Yuchai Machinery Company**

168 Tianqiao Rd.  
Yulin, Guangxi 537001 China  
Tel.: (86-775) 328-9856  
Fax: (86-775) 383-0746  
Contact: Zhang Zhengfeng  
E-mail: yuchaie@yl.gx.cninfo.net  
Internet: <http://www.asiansources.com/yuchai.co>  
Diesel engines

**Guangzhou Wheelhorse Aluminum Casting Co.**

Licheng St.  
Zengcheng, Guangdong 511300 China  
Tel.: (86-20) 8261-5601  
Fax: (86-20) 8261-5587  
Contact: Julia Zhu  
E-mail: info@wheelhorse.net  
Aluminum alloy car wheels

**Guangzhou Hua De Automobile Spring Co.**

Zengchen  
Guangdong 511356 China  
Tel.: (86-20) 8270-8000  
Fax: (86-20) 8297-9142  
Contact: Yang Weiming  
E-mail: huade@sti.gd.cn

**Guihang Tianyi Electrical Appliance Co.**

33 Suiyang Rd.  
Zunyi, Guizhou 563002 China  
Tel.: (86-852) 841-6205  
Fax: (86-852) 892-4653  
Contact: Tu Jun  
E-mail: tianyi@public.zy.gz.cn  
Relays

**Guilin Environment Industry Co.**

No.1 District, New Technology and Industries  
Developing Zone, Can Luan Rd.  
Guilin, Guangxi 541004 China  
Tel.: (86-773) 581-6385  
Fax: (86-773) 581-5961  
Contact: Luo Haofu  
E-mail: reecat@public.gippt.gx.cn  
Internet: <http://www.zhtech.com/reecat>  
Catalysts and catalytic converters

**Guizhou Honghu Machinery Works**

P.O. Box 102  
Pingba, Guizhou 561104 China  
Tel.: (86-853) 487-5255  
Fax: (86-853) 487-5688  
Contact: Hua Yong  
Mufflers and converters

**Hangzhou HAVECO Automotive Transmission Co.**

45 Xianghu Rd.  
Xiaoshan, Zhejiang 311200 China  
Tel.: (86-571) 267-2380  
Fax: (86-571) 267-9008  
Contact: Zhang Zengxiang  
E-mail: haveco@xsptt.zjpta.net.cn  
Gear boxes

**Hebei Zhangjiakou Jiebao Purifying Devices Co.**

26 Nanzhan Qianjie  
Zhangjiakou, Hebei 075000 China  
Tel.: (86-313) 401-5131  
Fax: (86-313) 401-1354  
Contact: Shi Wei Jie  
E-mail: ztccic@zj-user.hecninfo.net

**Hebei Xingyue Braking Element Co.**

141 Qingnian St., Zhengkou, Gucheng  
Hengshui, Hebei 253800 China  
Tel./Fax: (86-318) 532-2114  
Contact: Cao Mengxin

**Henan XinYang**

129 Shengli Rd.  
Xinyang, Henan Province, China  
Tel./Fax: (86-0376) 622-2425  
Contact: Li Qicheng  
Engine fittings

**Henan Tyre Co.**

48 Jiaodong South Rd.  
Jiaozuo, Henan 454003 China  
Tel.: (86-391) 393-3955  
Fax: (86-391) 393-3952  
E-mail: hntyre@public2.lyptt.ha.cn  
Contact: Zhang Shutian  
Tires

**Hengguang Motor Parts Co.**

Spark Industrial Area. Airport Rd.  
Ruian, Zhejiang 325206 China  
Tel.: (86-577) 553-7158  
Fax: (86-577) 552-1885  
Contact: Chen Zhen Xiang  
Switches

**Hua Zhong Car Door Stock Company**

14 Zhandong St.  
Baishan, Jilin 134302 China  
Tel.: (86-439) 333-3748  
Fax: (86-439) 333-9696  
Contact: Chen Feng

**Hubei Jingda Industry and Commerce Group Co.**

7 Beihu Rd.  
Shashi Jingzhou, Hubei 434007 China  
Tel.: (86-716) 825-9747  
Fax: (86-716) 825-8648  
Contact: Jiang De Liang  
Tubes

**Hubei Silian Auto Group**

188 Zhong Shan Rd.  
Shishou, Hubei, China  
Tel.: (86-716) 727-3512  
Fax: (86-716) 727-3055  
Contact: Wang Jiansheng  
Electric wiper and brake systems

**Hubei Super-Elec Auto Electric Motor Limited Liability Co.**

276 East Beijing Rd.  
Jingzhou, Hubei 434007 China  
Tel.: (86-716) 824-7458  
Fax: (86-716) 821-6952  
Contact: Liu Xiao Dian  
E-mail: zsbhse@jz.hb.cninfo.net  
Starters

**Hunan General Machinery and Electric Co.**

Tel.: (86-731) 567-5093  
Fax: (86-731) 558-1835  
E-mail: blueeye@public.cs.hn.cn  
Bearings, electric motors, exhaust fans, water pumps and other auto parts

**Hunan Power Engine Plant**

Liu Yanghe Rd.  
Changsha, Hunan, China  
Tel.: (860-731) 448-0038  
Fax: (860-731) 448-1093

**Hunan Jiangbin Machine Factory**

Jiangbin Machine Factory  
Xiangtan, Hunan 411102 China  
Tel.: (86-732) 358-1137  
Fax: (86-732) 557-9683  
Contact: Mo Zhijun  
E-mail: Jiangbin@mail.xt.hn.cn  
Pistons

**JiangLing Motor Group**

**Jiangxi Radiator Factory**  
106 Jing Gang Shan Rd.,  
Nanchang, Jiangxi 330001 China  
Tel.: (86-791) 523-2390  
Fax: (86-791) 521-3396  
Contact: Gong Aimin

**Jinan Auto-Accessory**

286 Jingshi Rd.  
Jinan, China  
Tel.: (86-531) 795-5152  
Fax: (86-531) 795-3608  
Engine valves

**Jinggangsan Auto Component**

Zunyi, Guizhou, China  
Tel.: (86-852) 861-5218  
Fax: (86-852) 861-5168  
Contact: Yu Shaochun  
E-mail: Zyht6@163.net  
Electric wipers and brakes

**Jingjiang Hua Tong Industry Co.**

Tel./Fax: (05-23) 483-4619  
Contact: Xu Yi  
E-mail: jjht@pub.tz.jsinfo.net  
Car paint and trim

**Jinzhou Wonder Auto Shock Absorber Co.**

23 Gongxuel, Gongxueli Rd., Guta District  
Jinzhou, Liaoning 121000 China  
Tel.: (86-416) 414-3105  
Fax: (86-416) 417-1845  
Contact: Hui Wang  
E-mail: wdqczqz@public2.jzptt.ln.cn

**Kunming Leaf Spring Plant**

252 Kunsai Rd.  
Kunming, Yunnan 650101 China  
Tel.: (86-871) 535-7845  
Fax: (86-871) 535-7385  
Contact: Xu Keping

**Laizhou Sanli Auto Replacement Parts Co.**

Zhuqiao, Laizhou, Shandong 261419 China  
Tel.: (86-535) 239-1155  
Fax: (86-535) 239-1093  
Contact: Xiuning Wang  
E-mail: sanli@ec.com.cn  
Internet: <http://www.chinalzsanli.com>  
Brake discs and drums

**Michelin Shenyang Tyre Co.**

3A, Sanlitun Rd., Chaoyang District  
Beijing, 100027, China  
Tel.: (86-10) 6468-8855  
Fax: (86-10) 6468-8534  
Contact: Mr. Hanuska

**Nanchang Gasket Factory**

Nanchang, Jiangxi Province, China  
Tel: (860-791) 376-0604

**Ningbo East Bright Pearl Driving Belt Co.**

Longshan, Cixi  
Zhejiang 315311 China  
Tel.: (86-574) 378-1333  
Fax: (86-574) 378-0109  
Contact: Lin Jian  
E-mail: flab@mail.nbnet.com.cn

**No. 2 Foundry Dongfeng Motor Corp.**

BaiLang Rd.  
Shiyan, Hubei 442050 China  
Tel./Fax: (86-719) 823-6544  
Contact: Ying Jie  
E-mail: zzecjkh@dfminfo.mail.com.cn  
Chassis castings

**Qixing**

1 Lie Shan Broadway  
Suizhou, Hubei 441300 China  
Tel.: (86-722) 322-6757  
Fax: (86-722) 322-2673  
Contact: Peng Guang Hai  
Auto body

**Shandong Jining Wheel Factory**

56 East Taibai Rd.  
Jining, Shandong 272035 China  
Tel.: (86-537) 235-3736  
Fax: (86-537) 231-7934  
Contact: Chang Yong  
E-mail: jnclc@ji-public.sd.cninfo.net  
Internet: <http://www.jiningwheel.com>

**Shandong Zhaoyuan**

Can Zhuang, Zhao Yuan  
Shang Dong, China  
Tel.: (86-535) 832-2173  
Fax: (86-535) 832-3736  
Contact: Shao Chen Dong  
E-mail: wsct@public.ytpttd.cn  
Cylinder heads

**Shandong Lianmei Automobile Spring Co.**

10 Pannan East Rd.  
Zibo, Shandong 255030 China  
Tel.: (86-522) 312-3957  
Fax: (86-522) 312-3907  
Contact: Zhang Yan

**Shandong Shuanghuan Wheel Co.**

245 Zhongxin Rd., Zhang Dian Qu  
Zibo, Shandong 255047 China  
Tel./Fax: (86-533) 318-9292  
Contact: Wang Nuan

**Shanghai Auto Parts Factory**

3000 Yi Xian Rd.  
Shanghai 200441 China  
Tel.: (86-21) 5645-9275  
Fax: (86-21) 5645-0605  
Contact: Chu Hua Jie  
E-mail: qp@sapf-cn.com  
Internet: <http://www.sapf-cn.com>  
Radiators

**Shanghai Valeo Automotive Electrical Co.**

501 Keyuan Rd.  
Zhang Qiao High Technical Place  
Pu Dong, Shanghai 201203 China  
Tel.: (86-21) 5080-0088  
Fax: (86-21) 5080-0200  
E-mail: valeo@shanghai-valeo.com  
Contact: Tian Shu Fang  
Starters

**Shanghai Nichirin Automobile Accessories**

351 Wuxing Rd., Beicai Pudong  
Shanghai 201204 China  
Tel.: (86-21) 5844-5903  
Fax: (86-21) 5844-2427  
E-mail: chinasna@online.sh.cn  
Contact: Sun Gangcheng  
Hoses

**Shanghai Yanfeng Automotive Trim Co.**

145 Kangjian Rd.  
Shanghai 200233 China  
Tel.: (86-21) 6436-4124  
Fax: (86-21) 6475-5289  
E-mail: yfang1@mail.yt.sh.cn  
Contact: Fang Yaowu  
Instrument panels

**Shenyang Donghwa Automobile Parts Co.**

245 Zhongxin Rd., Zhang Dian Qu  
Zibo, Shandong 255047 China  
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Contact: Wang Nuan  
Aluminum alloy wheels

**Shenyang**

86 Beiyi Rd.  
Liaozhong, Shenyang, China  
Tel.: (024) 8788-2970  
Fax: (024) 8788-4656  
Contact: Shong Jie  
Crankshafts

**Shijiazhuang Aluminium Radiator Company**

Zhengwu Rd., Zhengding  
Shijiazhuang, Hebei 050800 China  
Tel./Fax: (86-311) 878-8161  
Contact: Zhao Weiqiang

**Sichuan Changzheng**

P.O. Box 818-8, Hangtian Bei Rd., Long Quan  
Cheng Du, Sichuan, China  
Tel./Fax: (86-28) 480-6257  
Contact: Sun Xian Ping  
Shock absorbers

**Sichuan Hongguang Automobile Electric Accessory Co.**

19 Wangcong East Rd., Pixian  
Chengdu, Sichuan 611730 China  
Tel.: (86-28) 788-7013  
Fax: (86-28) 788-7021  
Contact: Wu Pinchao  
E-mail: hongguang@mail.sc.cninfo.net  
Carburetors

**Wuhan Dongfeng Stamping Co.**

158 Shenlong St., Wuhan Economical and  
Technological Development  
Zone, Wuhan 430056 China  
Tel.: (86-27) 8489-3124  
Fax: (86-27) 8489-3125  
Contact: Shen Bin  
Auto stamping products

**Wujin Optical Instruments Factory**

Changzhou, Jiangsu 213138 China  
Tel.: (86-519) 324-1182  
Fax: (86-519) 324-1036  
Contact: Wang Jun Jie  
Mirrors

**Wuxi Diesel Engine Works**

9 Tangnan Yizhi Rd.  
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Fax: (86-510) 501-3436  
Contact: Zhang Gensheng

**Wuxi Bearing Bush Plant**

Wuxi National High and New Technology  
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Fax: (86-510) 521-2128  
Contact: Ting Guolian

**Wuxi Y.M. Piston Rings Factory**

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Tel.: (86-510) 575-9888  
Fax: (86-510) 572-9888  
Contact: Lin Dejian  
E-mail: wxym@mail.wxgb.com

**Xiamen Xiong Shun**

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Xiamen 361009 China  
Tel.: (86-592) 502-4675  
Fax: (86-592) 502-5215  
E-mail: shown2@public.xm.fj.cn  
Vehicle wipers

**Xiangfan Axle**

7 Jiefang Rd. Xiangfan  
Hubei Province 441000 China  
Tel.: (86-710) 345-1947  
Fax: (86-710) 345-1947  
Axles for middle-and heavy-duty vehicles

**Xinjiang Bagang Leaf Spring Co.**

Xiangfan, Hubei 441004 China  
Tel.: (86-710) 339-2492  
Fax: (86-710) 331-0965

**Yangzhou Tongyang Oil Cooler Co.**

86 Nantong Rd.  
Yangzhou, Jiangsu 225001 China  
Tel.: (86-514) 723-8929  
Fax: (86-514) 723-8929  
Contact: Yang Jiajun  
E-mail: yztyjy@public.yz.js.cn

**YanTai HUF Automotive Lock Co.**

9 Wuzhi Shan Rd., Development Zone  
Yantai, Shandong 264006 China  
Tel.: (86-535) 638-1609  
Fax: (86-535) 637-8609  
Contact: Wang Yan  
E-mail: hufyt@public.ytppt.sd.cn

**Yunnan Dali Piston Factory**

37 East Jiangshe Rd.  
Dali, Yunnan 671000 China  
Tel./Fax: (86-872) 212-0303  
Contact: Xie Jian Guo

**Zhejiang Dongtou Automobile Part  
Manufacture Co.**

2 Yucai East Rd., Dongtou  
Zhejiang 325700 China  
Tel.: (86-577) 347-3713  
Fax: (86-577) 348-2666  
Contact: Fang Yue Jian  
Brake pumps

**Zhejiang Daimay Polyurethane Co.**

Nizhi, Daishan County  
Zhoushan, Zhejiang 316216 China  
Tel.: (86-580) 707-9761  
Fax: (86-580) 707-6639  
Contact: Li Xuequan  
E-mail: daimay@mail.zspt.zj.cn  
Internet: <http://www.zjdaimaypolyurethane.com>

**Zhejiang Wantong Zhongbao Aluminum  
Wheel**

Xinchang Industry Zone  
Xinchang, Zhejiang 312500 China  
Tel.: (86-575) 622-6295  
Fax: (86-575) 622-6480  
Contact: Xia Yuezhong  
E-mail: xczcw@mail.sxppt.zj.cn

**Zhejiang Mould Factory**

199 Youth Rd., HuangYan District  
Tai Zhou, Zhejiang 318020 China  
Tel.: (86-576) 422-3720  
Fax: (86-576) 411-0941  
Contact: Bao Wenguang  
E-mail: zjmfnet@mail.tzptt.zj.cn

**Zhengzhou Gold Root Automobile Ornaments**

Middle Tashan Rd.  
Xingyang, Henan 450122 China  
Tel.: (86-371) 460-0026  
Fax: (86-371) 461-0808  
Contact: Zhang Fengzhao  
E-mail: goldroot@public2.zz.ha.cn  
Instrument panels

**Zhuhai Rongtai Precise Die-casting Co.**

Nanping High-Tech Industry Zone  
Zhuhai, Guangdong 519060 China  
Tel.: (86-756) 867-6108  
Fax: (86-756) 867-6308  
Contact: Steven Chen  
E-mail: bysc@yeah.net

## Major Chinese Importers of Automobiles and Parts

### **Beijing Automotive Industry Corporation**

31 Tianqiao, Nanweilu  
Beijing 100050 China  
Tel.: (86-10) 6304-0246  
Fax: (86-10) 6304-3509

### **China Vehicle Import and Export Corporation**

Room 2001, Xitalou, Sichuan Building  
Beijing 100037 China  
Tel.: (86-10) 6899-1405  
Fax: (86-10) 6899-1400

### **China National Automotive Industry Import and Export Co.**

5 Beisihuan Xilu  
Beijing 100083 China  
Tel.: (86-10) 6231-0652  
Fax: (86-10) 6231-0688

### **China Imported Auto Trading Center**

17 Zizuyuan Nanlu  
Haidian, Beijing 100044 China  
Tel.: (86-10) 6842-8880  
Fax: (86-10) 6842-8558

### **China Automobile Parts and Accessories Corporation**

22 Fengguanlu, Fengtai District  
Beijing 100071 China  
Tel.: (86-10) 6383-4606  
Fax: (86-10) 6383-4708

### **China Automotive Industry International Corporation**

83 Fuxing Rd.  
Beijing 100856 China  
Tel.: (86-10) 6821-4180  
Fax: (86-10) 6821-4171

### **China Anhui Machinery Import and Export Corp.**

238 Jixi Rd.  
Hefei, Anhui 230022 China  
Tel.: (86-551) 363-6692  
Fax: (86-551) 363-2982  
E-mail: cmcah@mail.hf.ah.cn

### **China Urban Automobile General Corporation**

Beijing 100835 China  
Tel.: (86-10) 6834-0196  
Fax: (86-10) 6831 5362

### **China National Automotive Trade Guangzhou**

522 Huifu Donglu  
Guangzhou 510115 China  
Tel.: (86-20) 333-1662  
Fax: (86-20) 334-7748

### **China National Automotive Trade Southwest**

7 Dongfenglu Erduan  
Chengdu, Sichuan 610061 China  
Tel.: (86-28) 444-4726  
Fax: (86-28) 444-2415

### **China National Automotive Industry Import/Export Corp.**

390 Wukanglu, Shanghai 200031 China  
Tel.: (86-21) 433-6892  
Fax: (86-21) 433-0518

### **Shandong Automobile Import and Export Corporation**

15 Wenhua Xilu  
Jinan, Shandong, China  
Tel.: (860-531) 695-8268  
Fax: (860-531) 695-8797

### **Shanghai Automobile Import/Export Corporation**

25/F Yandang Building, Yandang Rd.  
Shanghai 200020 China  
Tel.: (86-21) 372-4288  
Fax: (86-21) 472-4643

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- . *Country Profile: China*, 1999.
- Pilmanis, Karen. *China: Automotive Industry - Market Research Reports*, U.S. Department of Commerce, September 1, 1997.

## OTHER REFERENCE MATERIAL

### Useful Internet Sites

Automotive Aftermarket Industry Association: <http://www.apaa.org/about/index.html>

AutoNet: <http://www.autotruck.net>

Automotive Parts Manufacturers' Association: <http://www.capma.com>

Asia Wall Street Journal: <http://www.awsj.com>

China Automotive Consulting: <http://www.cacauto.com>

China BusinessNet: <http://www.china-businessnet.com>

China Council for the Promotion of International Trade (CCPIT): <http://www.ccpit.org>

China Daily: <http://www.chinadaily.com>

China Economic Information: <http://www.ce.cei.gov.cn> or <http://www.chinaeco.com>

Chinese Embassy in Ottawa: <http://www.chinaembassycanada.org/embassy-e.html>

Chinese Ministry of Foreign Trade and Economic Co-operation: <http://www.moftec.gov.cn>

Department of Foreign Affairs and International Trade: <http://www.dfait-maeci.gc.ca>

ExportSource: <http://exportsource.gc.ca>

Hong Kong Canada Business Association (HKCBA): <http://www.hkcba.com>

InfoExport: <http://www.infoexport.gc.ca>

Sinosource - Business Directory of China: <http://www.sinosource.com>

South China Morning Post: <http://www.scmp.com/news>

Strategis: <http://strategis.gc.ca>

Trade Team Canada Automotive: <http://ttcauto.ic.gc.ca/ttcauto>

United States Department of Commerce: <http://www.stat-usa.gov>

Vancouver Board of Trade: <http://www.vancouver.boardoftrade.com>

### READER EVALUATION

Please help the Market Research Centre to produce market reports that meet your information needs by completing this evaluation form and returning it by fax (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?

- |                                                    |                                                   |
|----------------------------------------------------|---------------------------------------------------|
| <input type="checkbox"/> InfoCentre FaxLink system | <input type="checkbox"/> Government Internet site |
| <input type="checkbox"/> InfoCentre help line      | <input type="checkbox"/> Other: _____             |
| <input type="checkbox"/> Local government office   |                                                   |

2. How would you describe this market report?

|                | Strongly agree           | Agree                    | No opinion               | Disagree                 | Strongly disagree        |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Useful         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Complete       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Well organized | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Well written   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Ideal length   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3. In what form do you prefer to obtain these reports?

- ☐ Print ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.

- |                                                    |                                                               |
|----------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Seek an agent/distributor | <input type="checkbox"/> Contact Canadian trade office abroad |
| <input type="checkbox"/> Visit the market          | <input type="checkbox"/> Participate in a trade show abroad   |
| <input type="checkbox"/> Do more research          | <input type="checkbox"/> Nothing                              |
| <input type="checkbox"/> Other: _____              |                                                               |

5. What other market reports would be of benefit to your organization? Please identify specific products and countries. \_\_\_\_\_

6. Which of the following categories best describes your organization? Check one only.

- |                                                     |                                           |
|-----------------------------------------------------|-------------------------------------------|
| <input type="checkbox"/> Processor/manufacturer     | <input type="checkbox"/> Government       |
| <input type="checkbox"/> Trading house              | <input type="checkbox"/> Student/academia |
| <input type="checkbox"/> Export service provider    | <input type="checkbox"/> Consultant       |
| <input type="checkbox"/> Industry/trade association | <input type="checkbox"/> Other: _____     |

7. What were your organization's total sales last year, in Canadian dollars?

- |                                                 |                                                       |
|-------------------------------------------------|-------------------------------------------------------|
| <input type="checkbox"/> Less than \$10 million | <input type="checkbox"/> \$10 million to \$50 million |
| <input type="checkbox"/> More than \$50 million | <input type="checkbox"/> Not applicable               |

Additional comments/suggestions for improvement: \_\_\_\_\_

OPTIONAL — The name of your organization is: \_\_\_\_\_